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ADVANCED MANAGEMENT

Quarterly Journal

*The Society for the
Advancement of Management*

The Society Plans Ahead

Making and Using Service Ratings

Papers on Business Education

Reemployment Prospects and Problems

Time Study Applied to Cost Control

October-December, 1943

Vol. VIII, No. 4

IN TWO SECTIONS—SECTION I

ADVANCED MANAGEMENT

Quarterly Journal

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NUMBER 4

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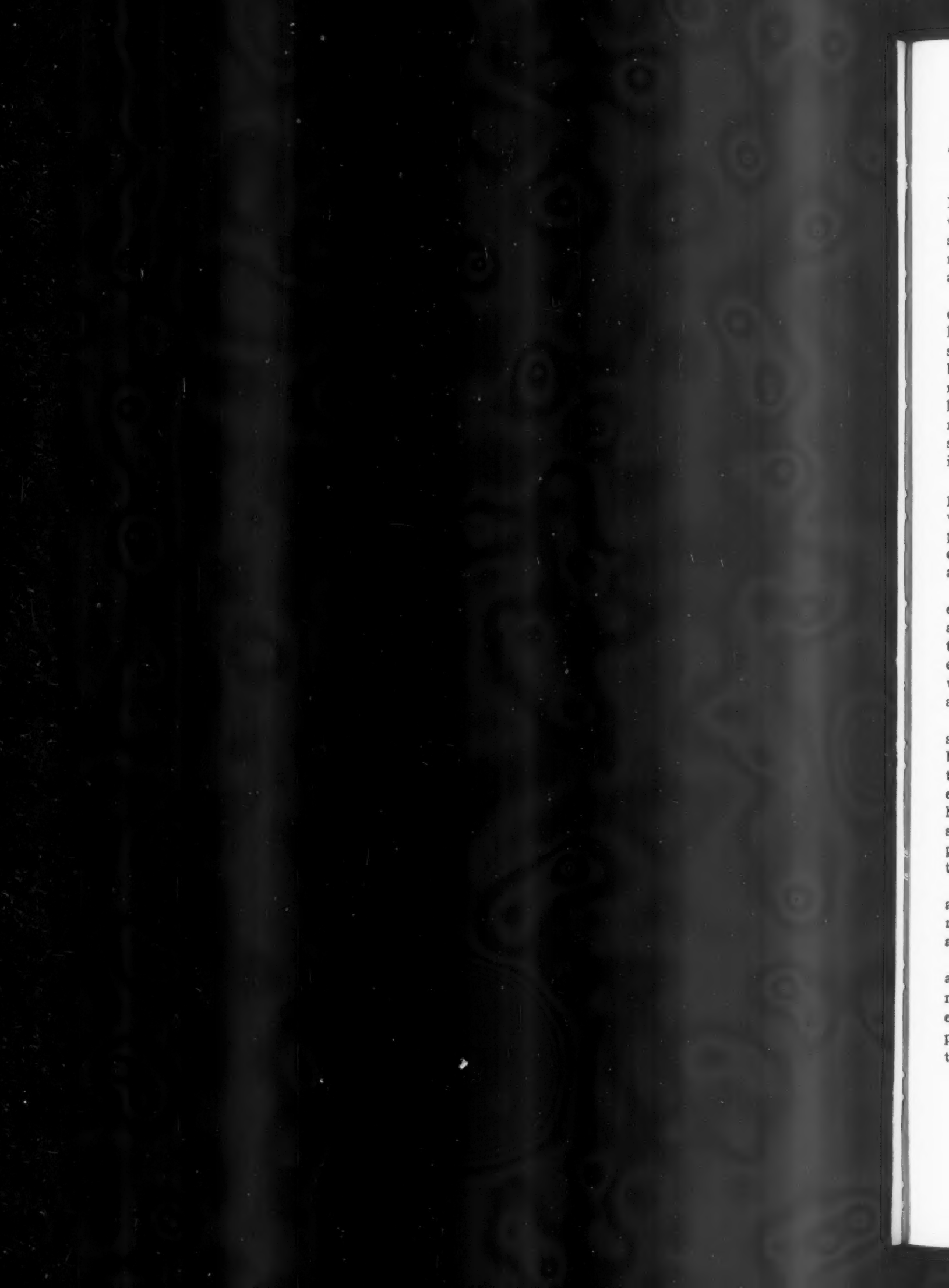
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Comment

THE best possible collegiate business education is a vital plank in any platform of improved economic statesmanship for tomorrow. The Philadelphia Chapter of this Society, in conjunction with several co-operating groups, recently concluded a stimulating conference for university teachers of management. A number of papers from this conference are reproduced in this issue.

They unite in emphasizing the need for a new objective, for broader scope and content, for more knowing how and less knowing about. They unite in suggesting that the real, out-in-front leaders of business and the more forward-looking teachers of management on the whole talk the same language, look in the same direction, and are alert to discover new and experimental patterns to harmonize the desires of today with the operation of the economic instruments of tomorrow.

Naturally, of course, discourse and thought on this problem must make use of words. And it is therefore vital that our words clarify and not obscure our planning and our aspiring. Which prompts to a brief examination of a phrase widely used when business aims are under discussion.

Take, in short, the popular slogan of the day, "free enterprise." It is used by business leaders and teachers alike to name something which they wish to preserve, to restore or to create. What, then, does business education mean which would have this as its goal—which would make graduates willing and able to work a free enterprise system?

The question is asked in a completely objective spirit, partly to illustrate the inevitably close tie between business aims and teaching aims, and partly to suggest that an examination of the aims of business education is itself one of the urgent requisites which has always to go forward without too close and too strong an influence from business men immersed in a present pattern and drive where momentum rather than perspective inevitably dominates.

Free enterprise has obviously to do with freedom and with enterprise. Have we not, as teachers and as managers, to put to ourselves and to the next generation of students of business such questions as these:

What is the nature of individual freedom? What are its elements? How is it protected and how is it made socially responsible? What is its relation to economic security? Is freedom for the individual a personal or a community achievement, or is it something of both?

How does economic effort originate and why? Is there a universal pattern of motive and of structure? Do enterprise, initiative and risk assumption on the part of individuals supply the motive power for assuring the carrying out of all necessary economic functions and services? Or, stated in other terms, does individual self-interest prompt the organizing of all socially desirable agencies of production and service?

What is the relation of enterprise to whatever trend exists toward monopoly and large-scale corporate bodies possessed of semi-monopolistic influence? What is the relation of the spirit of enterprise to the phenomenon of the business cycle with its moods of elation and overexpansion followed by caution, fear and withholding of production? Does free enterprise imply such complete autonomy of corporate effort that "unrestrained" competition is inevitable? And if not, how is competition kept from being "cutthroat?"

Is anti-trust and other regulative legislation and public administrative control (like the Federal Trade Commission) successful in keeping enterprise free? And if not, what type of public intervention, if any, is needed? Is the struggle of "small business" to survive caused by artificial or by natural restraints and limitations, or by something of both? Are there ways to protect and stimulate small business and to what extent is this desirable?

In the aggregate these questions have to be faced—and by none more than by teachers of business.

That the more far-sighted business leaders are not disposed to ignore them, is a gratifying fact. One looks forward, for example, with keen anticipation to the reports of the Committee on Economic Development on questions kindred to those just stated.

One reads with gratification, also, in an able speech before The Economic Club of Detroit (October, 1943) the following words of Alfred P. Sloan, Jr., Chairman of General Motors:

"I believe every business man should study these post-war problems from the standpoint of the particular set of circumstances involving his own business. That is a fundamental of free enterprise. Each must make his own contribution in his own self-interest—but with due regard to the broader objectives involved. American business leadership realizes that to produce and distribute goods and services, no matter how efficiently, is not enough. Consideration must be given to the impact of business policies upon our social and economic structure as a whole. *Business leadership must take the form of industrial statesmanship.* It enjoys a truly great franchise under our system of free enterprise. It must protect that opportunity. It must broaden the scope of its responsibilities."

ORDWAY TEAD.

The Society Plans Ahead

By EDWARD A. McTAGUE

Executive Director, Society for the Advancement of Management

THE appointment of an Executive Director is a practical expression of a decision to intensify and expand the activities of the SAM.

Our expansion needs to take the form of additional activities. In chapters, for example, there is need for small meetings, and for a round table series for top management, and for the upper stratum of operating officials. We have many members in the upper levels of management who do not find a place for frequent meetings under SAM auspices. These closed or highly selective meetings of chief executives and department heads is also a forward looking move. This is so because our young men will move into these meetings and find that SAM continues to furnish the most congenial atmosphere for discussion and action.

Expansion of activities for the national office will include a news letter which is published every month of the season. Until a staff is organized this news letter is likely to show sharp variations in size; also, for some time to come, its news coverage may be spotty. The activities of SAM are too important to let information die in our archives just because our first letters may have limitations. These early defects, if any, can and will be overcome.

Conferences must be increased in number. This is an expansion of national activity. For example, the two-day Management Education Conference, held at the University of Pennsylvania put this activity upon the plane where SAM should operate in the educational sphere.

Representatives of thirty-five colleges and universities attended. The news sections of Philadelphia and New York newspapers prominently featured the significant work of the conference, in the news and editorial columns. Demand for copies of the proceedings of the conference came from every part of the United States. The Management Education Conference should be made an annual event.

The size and importance of government is a sufficient reason for holding an annual conference on government. Regional conferences, with our staff at its present size, are difficult to envision, but they certainly must be kept in mind as a work which we must eventually perform.

Throughout the world, there are men who should belong to SAM. The work of bringing our Society

to their attention is actually going on through members who have made this work their special concern; through the correspondence of the national office; and through the world-wide circulation of *ADVANCED MANAGEMENT*. We already have members in thirteen countries in South America, Europe, Asia, and in Australia.

Within the United States many new chapters must be created. We especially invite those members in cities where there are no chapters to participate vigorously with us in this work.

Visits to existing chapters by the Executive Director are of the utmost importance. The strong chapters will benefit because they will be quick to use ideas which the Executive Director could pass on from observing the work of other chapters. The chapters which are weak in membership actually need an investment of time and money by the national office to aid in their growth.

Regional meetings of the Chapter officials are necessary. The chapters have problems of membership, of program development, and in the utilization of manpower. Besides, SAM has the over-all problem of making the society a more closely-knit organization. Over the long run there must be solved the problem of a coalescing of all chapter activities with the full gamut of our objectives.

The regional meetings of chapter officials will play a most important part in achieving the above objectives.

One all-day meeting was held on Saturday, October 23rd at the Hotel Pennsylvania, New York. Attendance comprised seventeen men among the presidents, and chairmen of the program and membership committee of Boston, Connecticut, Northern New Jersey, New York, Philadelphia, Baltimore, and Washington, D. C. Chapters. A meeting of Midwest Chapters will be held at Chicago in January, if feasible for the Chapter officials.

Our objectives in themselves if carried out in our activities will serve the nation in the crises of manpower shortages and the perplexities of the conversion problem. Nevertheless, it seemed wise to make these related problems thematic in our current activities. At his first meeting with the Executive Committee, the Executive Director recommended

(Please turn to page 136)

Making and Using Service Ratings

By GEORGE D. HALSEY

Personnel Officer, Farm Credit Administration of Columbia, Columbia, S. C.

IT is the purpose of the service-rating program of this district to provide at regular intervals as complete and as objective an evaluation as is possible of every phase of each employee's performance on the job so that there may be available at all times in the personnel folder of each employee an accurate and up-to-date picture of that employee's efficiency on his present work and suitability for transfer or promotion.

As stated in the personnel policy of the Farm Credit Administration of Columbia, "The keynote of the whole policy of personnel management is a constant endeavor to achieve *fairness*." Service ratings can aid in this endeavor in four important ways:

1. When carefully and objectively made they form the fairest and best basis for decisions when considering salary increases, promotions, transfers and layoffs.

2. The continuous observation of each phase of each employee's work efficiency and attitude and the making of notations and records necessary to an objective rating, help the supervisor in his efforts to keep constantly alert to those things in the employee's work which need correction. Frequently he will be able to give the employee the needed help and guidance before the condition becomes serious.

3. The fact that once each year each employee is given a statement of just how his supervisors feel as to his general efficiency, aids the employee greatly in his own efforts to do a really good job. It is not quite fair to expect the employee to measure up to some standard unless we tell him from time to time just how well we believe that he has done this—just how far along the road to achievement of the standard he has travelled.

4. The careful review and discussion of every phase of each employee's work necessary before each rating furnish an excellent basis for an annual training interview at which the employee's entire record may be reviewed with him and suggestions for improvement given. The fact that each employee is given his rating each year will usually cause those employees who need the supervisor's help most to come and ask for the help. This starts the interview on a much better basis than would be the case if the supervisor had to take the initiative in telling the employee about

his record. This is especially true in those cases in which the employee's shortcomings are not serious enough to justify a formal corrective interview.

General Plan of Service Rating

Once each year all supervisors are asked to make a careful rating of all employees under their supervision, using the form shown on the following pages.

These ratings are then given to the "Reviewing Rater" who is the executive directly over the supervisor who made the original rating. This reviewing rater studies these carefully and discusses with each supervisor the ratings he has made. If the reviewing rater finds that any supervisor has, on the average, rated his employees materially higher or lower than the averages of other supervisors he endeavors to find out whether this rating reflects the actual efficiency, or merely a variation in standards—a difference, for example in what two supervisors would call "reasonably adequate knowledge" or "exceptionally high quality" etc. Every effort is made in this way to see that equal ratings on the same type and class of work will mean the same whether made by the same supervisor or not.

If the reviewing rater is the department head he forwards the forms directly to the personnel office; if not, he sends them to the department head for further review and they are then sent to the personnel office.

In the personnel office the numerical ratings are figured and averaged for each department and each unit.

The executive committee of each unit with the personnel officer acts as a review board for that unit. Ratings are reviewed and any unusual cases, such as a marked difference between the percentage and the letter rating, are discussed in detail. The personnel officer presents the averages of the various departments and, if any department seems materially high or low, this is discussed and the department head given an opportunity to discuss the ratings again with his division heads and make any changes which seem fair and right.

It is the responsibility of the personnel officer, who serves on all of the review boards, to let the review

Form P-10—Revised 4-42.

EMPLOYEE APPRAISAL

Employee's Name _____ Classification _____
 Bank _____ Dept. _____ Div. _____ Section _____
 Unit _____ Rating Supervisor _____

This form is designed to help you to appraise accurately the value of your employees to the organization. You are asked to rate the employee on each of several traits or qualities listed here.

After each trait there is a line representing various degrees of the trait. Each of the phrases under the lines describes the amount or degree of that trait represented by the point directly over the phrase. You rate any employee by

putting your check mark at the place on the line which represents your judgment as to his possession of the trait. If the true description would fall between two of the descriptions given, you should put your check between the two, nearer the one which is nearer the correct description.

In view of the importance of this rating, both to the employee and to the organization, you are urged to study and observe carefully the suggestions furnished you with these forms

QUALITY OF WORK	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	30
	Quality is unsatisfactory.		Quality is often not quite up to average of general run of comparable employees.		Quality is about average of general run of comparable employees.		Quality of work is superior to that of general run of comparable employees.		Exceptionally high quality.		

Comment: _____

VOLUME OF WORK	15	16.5	18	19.5	21	22.5	24	25.5	27	28.5	30
	Very slow.		Inclined to be somewhat slow.		Output is about average of general run of comparable employees.		Turns out more work than general run of comparable employees.		Exceptionally high output.		

Comment: _____

KNOWLEDGE OF WORK	5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10
	Very little knowledge of his work.		Insufficient knowledge of some phases of the job.		Reasonably adequate knowledge of the job.		Excellent knowledge of his work.		Has exceptional knowledge of all phases of his work.		

Comment: _____

INITIATIVE	5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10
	A routine worker: usually waits to be told.		Often waits unnecessarily for directions.		Does regular work without waiting for directions.		Resourceful; alert to opportunities for improvement of work.		Seeks and sets for himself additional tasks; highly self-reliant.		

Comment: _____

WORK ATTITUDE	5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10
	Goes about his work half-heartedly.		Sometimes appears indifferent.		Shows normal, average interest in work.		Shows great interest in work.		Exceptionally enthusiastic about his work.		

Comment: _____

ATTITUDE TOWARD OTHERS	5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10
	Inclined to be quarrelsome, surly, touchy or uncooperative; upsets morale.		Sometimes difficult to work with.		About average in tactfulness and cooperation.		Always congenial and cooperative.		An unusual and strong force for office morale.		

Comment: _____

TOTAL SCORE _____

See facing page

GENERAL RATING: Considering all of the qualities you have rated on the reverse side of this form and any other qualities the employee may possess which affect his general value to the organization, please check the statement below which best describes him. Remember that the comparison is with all other persons you have ever known doing work of this type and class and not with just the other employees in the group under your supervision.

- A. An exceptional employee; one of the best in his type and class of work I have ever known. ☐
- B. Stands out clearly as superior to the general run of employees doing work of the same general type and class. ☐
- C. A good employee; well fitted to his work, but not outstanding. ☐
- D. A fairly good employee, but somewhat less efficient than the general run of employees doing work of the same general type and class. ☐
- E. Serious weaknesses in work efficiency or attitude, or both, make it doubtful whether he will be satisfactory in the work he is doing. ☐
- F. I believe this employee to be definitely unsuited to the work he is doing, and probably unsuited to any work in the division in which he now works. ☐

PLEASE INDICATE BY CHECK MARK HOW PROMISING AS PROMOTIONAL MATERIAL YOU BELIEVE THIS EMPLOYEE TO BE:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Future growth doubtful	Only moderate development ahead	Shows fair promise.	Very promising promotional ma- terial.	Great future growth prob- able; should go far.	

COMMENTS:

GENERAL COMMENTS BY RATING SUPERVISOR:

RATING AND COMMENTS MADE BY:..... Date

COMMENTS BY REVIEWING RATER:

BY:..... Date

board of each unit know if the average of ratings for that unit is materially higher or lower than the average for the district as a whole. Adjustments are made if this is considered fair and right.

After all of this is completed, numerical ratings are reworked on any rating forms which have been changed and the letter and numerical ratings posted on the employee's service record card.

Forms for notifying each employee of his rating are then prepared and distributed as directed by the executive committee of the unit, and the original rating forms are filed in the employees' personnel folders.

The rating form used is shown on pages 116 and 117.

Definition of Qualities Rated

Quality of Work

The rating on this quality will indicate the supervisor's opinion as to the average degree of excellence of the work this employee has done for the entire period being rated; but *it will not take into account the volume of work done.*

It will take into account all such factors as neatness, accuracy, completeness and general acceptability of the work done. It will take into account also the importance of each factor. For example, errors on work which goes out without further checking are most serious. Therefore, accuracy would be given a higher "weight" in rating "Quality of Work" where this is true than it would on work which is regularly checked.

In field positions, such factors as thoroughness in securing information, judgment in making recommendations, and ingenuity and resourcefulness in working out solutions for difficult servicing problems would all be rated under "quality of work."

In any type of work an occasional thoughtless oversight or error would, of course, cause "quality of work" to be rated lower than would be the case if such mistakes were not made, but care should be exercised not to give too much weight to one or two *recent* mistakes when the total for the entire period being rated is small.

Volume of Work

When rating this quality, both how rapidly the persons works and how consistently he maintains that speed should be considered. It is the total volume over the full period of time being rated which counts, not the rate made in sudden bursts of speed. For

example, a typist who has the ability, as shown by test, to type over eighty net words a minute might work so intermittently that the total volume for a week or month would be less than that of a person with a much lower test score.

Knowledge of Work

The rating on this quality should be on the basis of how completely the employee is in possession of all information about all types of work he will be called upon to do in performing the duties of his position. A clerk doing routine work would, of course, not need as extensive knowledge to secure a high rating as would a person who, in the regular course of his duties, might be called upon for recommendations as to changes in procedures or policies. But to secure a rating of "excellent," any one doing even routine work should, in addition to a knowledge of all essential rules and procedures, have at least a *fair* understanding of the basic principles behind the rules and procedures. To secure a rating of "exceptional" he should have an exceptional knowledge of rules and procedures plus a good understanding of underlying principles. To secure this same rating, however, a supervisor would need exceptional knowledge of both rules and principles.

Here, however, as in the rating on all qualities, the decision is made on the basis of comparison with all other persons the supervisor has known doing this general type and class of work rather than with theoretical perfection. Thus, if the knowledge of the person being rated would rank him in the top one or two per cent of all of the people the supervisor has ever known doing this general type and class of work he would put his check mark at or near the extreme right of the scale even though he might consider the employee's knowledge considerably below theoretical perfection.

Initiative

Initiative is the capacity for assuming responsibility and starting and doing things without waiting for detailed instructions as to how to handle each step. It requires the ability to make promptly the decision as to what is the best course and the self-confidence and courage to act on that decision. A person with initiative will be on the alert for better methods of doing his work and will volunteer suggestions for changes rather than to wait until he is asked.

In rating this quality too much weight should not be put on the *judgment* used. This is primarily a

rating of initiative. If an employee shows active initiative, but occasionally makes errors in judgment, there should along with his high rating in initiative be some such comment as, "Interested and shows considerable initiative but, probably due to lack of experience, is occasionally lacking in judgment." This lack of judgment would, of course, also be reflected in a lowered rating in "Quality of Work," but not in the rating on initiative.

Work Attitude

How much interested is this person in his work? When emergencies arise and more than the usual effort is necessary, does he jump into the task with enthusiasm, or does he need to be reminded several times that his work is getting behind? Does he seem anxious to learn more about his work? Is he on the alert for new ideas? Is he taking some course or reading books which will help him to do a better job?

All, or practically all, of these questions should be answerable strongly in the affirmative before a very high rating on "Work Attitude" can be given.

And care should be exercised not to judge solely by how much the person talks about being interested. There are employees who are not at all demonstrative, but who are genuinely interested and enthusiastic about their work and whose work attitude may be even better than that of those who talk more. Enthusiasm should be judged by what the employee does more than by what he says; by how he works more than by how he talks.

Attitude toward Others

How pleasantly does this employee work with fellow employees? What is his attitude toward supervision? Does he welcome or does he resent suggestions made by his supervisors? When he is asked to do something a little out of the ordinary how promptly and how pleasantly does he agree to do it? If he comes into contact with persons from outside the organization, are these contacts such that they build good will for the organization? Especially if he works directly with farmers who are member-borrowers, does he show a sincere interest in them and their problems? All of these questions should be considered when rating this important quality.

The ratings on the first two qualities (quality of work and volume of work) make an over-all rating on the work performance of the employee and, as such, are given much higher "weights" in computing the

total score than are the other qualities. (The small numbers on the rating form indicate the numerical values or "weights" given the various ratings.)

The first two ratings have to do with the work more than with the person; the remaining four have to do with the person more than with the work. There will be a certain overlapping as, for example, when some personal quality, such as initiative, enables the person to turn out more work or better work (or both). This quality would in this way affect two, or possibly three, ratings. This is desirable as it automatically increases the weight given to any personal quality which has an important bearing on work performance; but gives a relatively low weight to any personal quality which, while desirable, is not of major importance for success on the job.

The "Total Score" is obtained by adding the numerical values of the ratings on the separate qualities.

Suggestions as to the Best Method of Rating

If ratings made by different supervisors are to be comparable, and this is essential to the success of any rating plan, each supervisor must have in mind at the time of rating the same meanings for the qualities rated and the same standards of measurement as every other supervisor. The absolute achievement of this goal is, of course, impossible; but we can come close to it if each one of us will review carefully the definitions and instructions each time we rate, and endeavor to follow these to the letter.

Probably the most important thing to remember is that this is an attempt to compare the persons being rated with other persons doing work of the same general type and class rather than to compare them with theoretical perfection. A check mark on the extreme right on any quality does not mean that the rater considers that person to be perfect. It does mean, however, that the rater believes him to be one of the very best in this one trait or quality of *all of the people the rater has ever known doing work of this general type and class both in this organization and elsewhere*. Whenever such phrases as "the general run of employees doing comparable work" or "about average" are used, the comparison should be with all other comparable employees the supervisor has ever known, and not merely with the others in the group under his supervision.

It is important to keep in mind, also, that, since the rating of each person is made by comparing him with other persons doing work of the same general

type and class, it is quite possible for some one who holds a minor position in which the duties are very simple to receive a *higher* rating than some one in a much more important position, and yet not be nearly so valuable to the organization. The first would be rated on how well he has performed his less difficult duties and the second on how well he has performed his more difficult duties. In fact, it is quite probable that a person who does such excellent work on a minor job that he is promoted will, for the first two or three ratings after promotion, receive lower ratings than he received before, *and still be making fully satisfactory progress*. It merely means that he has not yet mastered the new and more complex work as thoroughly as he had mastered the simpler work.

The values of two ratings of 80, where the two positions are different in type or class of work done, are no more equal than would be the values of 80 per cent of each of two farms of different size and type. *Ratings of performance should be compared only with ratings of performance on other jobs of equal difficulty and responsibility.*

Suggestions to the Rating Supervisors

When you start to rate, choose a place so that you can spread the forms out without unauthorized persons seeing them, and a time that will allow you a reasonable period for uninterrupted attention. If different groups of people in your section do essentially different types of work, divide the section into groups, completing the rating of one group, then the next, etc. Begin by rating all of the members of one group on the first trait, considering that trait only; then rate all on the second, etc. When rating a trait, as, for example, "Volume of Work," it has been found the best practice to decide first who is the most rapid worker in the department and to rate that person, probably giving him a rather high score. Next select the slowest person, and give a rather low rating on this one trait regardless of whether or not other traits may make that person valuable. Next a person about midway between is selected and rated. The other employees are then rated by comparing them with these three. This same plan should be followed for each trait.

In rating the highest and lowest persons on any quality in the section it should always be remembered that these persons will not *necessarily* be rated at the extremes of the scale. The comparison is always with *all* of the people doing this type of work you have known. However, the best person in your section in any one quality will be, as a rule, not far from the

extreme right, and the poorest will usually be well below the "average of the group" column.

The rating which is fairest to the employee, most helpful to the supervisor in his training interview, and of the greatest value to higher executives when they review the file is one in which the supervisor is both generous and severe—generous in his rating of those qualities in which the person is among the best in the department, and reasonably severe in rating qualities in which there is a weakness.

When rating any employee, do not be influenced too much by recent occurrences. Consider the whole period for which you are rating.

Please use freely the spaces for comment which are provided below the rating on each quality and the general rating. This rating should be as complete a picture of the employee's ability and attitude as it is possible to make it. Especially if you rate quite high or low on any quality, a brief statement in the comment section as to why this was done will be helpful.

General Rating (reverse side of form)

After completing the ratings on the face of the forms for all employees, you are asked to make a "General Rating," taking into account all of the qualities which go together to make up each employee's general value to the organization.

As a rule this rating will correspond closely with the "Total Score" on the face of the rating in about the following manner:

Total Score	General Rating
93-100.....	A
84- 92.....	B
75- 83.....	C
67- 74.....	D
60- 66.....	E
50- 59.....	F

This will not always be the case, however. For example, an employee might have such an unpleasant attitude toward all of the other employees around him and cause so much trouble that he should be rated "E," and yet his total score might be as high as 75 or 80 which would normally entitle him to a general rating of "C."

Also, there may be some types of work in which one or two qualities are of such great importance that the "weights" used do not give a true picture of the worth of a person who may be weak in some non-essential qualities.

In cases of this kind, give what you conscientiously believe to be the correct general rating and explain

the reason in the space headed "Comments." Any general rating which does not seem to harmonize with the "Total Score," as shown by the table above, should be explained.

Promotional Material

Our promotional policy as stated in the Employee's Handbook is:

When filling any position in the organization, first consideration is given to present employees who are qualified, and for whom transfer to the position is advantageous. Vacancies are filled by the employment of persons from the outside only when their qualifications are more specifically suited to the requirements of the positions or are superior to the qualifications of employees available within the organization.

If this policy is to be made effective in practice it is important that we have in the personnel file of each person some rating of fitness for promotion. You are asked, therefore, each time you rate the employees under your supervision, to decide for each how promising as promotional material you consider him to be. It will be most helpful if you will state briefly your reasons for your opinion in some such manner as this:

"Shows considerable initiative in carrying out assignments; gets along well with people; is taking night courses at U.S.C.," or, "Has good education, but lacks initiative."

Your General Comments

Put in space marked "Comments by Rating Supervisor" any statement about the person which you believe would help make clearer or more complete the picture of his work efficiency. Especially valuable are comments as to outside conditions (such as serious illness in family) which might have caused this one rating to be lower than average, but which you believe to be temporary. Comments should be included as to any special training or other activity which would be of interest to executives who might later review the file. Such things as war service training of any kind, service in home guard, civic activities, etc. are all interesting and valuable.

When the ratings have been completed the forms should be sent to the reviewing rater, whose functions are described earlier.

Some Practical Questions Answered

1. The New Employee

If the employee has been in his present position *less than three months* do not attempt to rate the various qualities by putting check marks; but use the spaces provided to make brief comments as to the progress he is making in each quality.

For example:

Quality of Work

Makes fewer errors than most new employees.

Volume of Work

Was very slow at first, but speed is improving.

Similar comments might be made under the other qualities.

On the reverse side of the form do not mark the A B C rating, but use the comment space freely.

If the employee has been in his present position *three months or more*, make out the form in the regular way, but be careful to comment wherever comment should be made as, for example, if a rather low mark is given in volume or knowledge and the employee is improving rapidly, the only fair thing would be to say so in the comment space.

Employees transferred *from one Unit to another* should, for the purpose of rating, be considered as new employees.

2. The Employee Recently Transferred or Promoted within the Unit

If the employee has been in the new work *less than three months* rate the performance in the *old position* and say something about how the employee is doing in the *new position* in the comments space.

If the employee has been in the new position *three months or longer*, the rating should be on his work in the *new position*. As in the case of the new employee, however, make note in the comments space of the fact that the employee has been recently transferred and whether or not he is making good progress.

3. Illness or Other Unavoidable Condition Causes Inefficiency

Make the rating on the *actual work efficiency*, but any condition which caused the inefficiency should be commented on fully in the proper space.

4. Carelessness

Occasionally an employee who has real ability will, through thoughtlessness, carelessness, or forgetfulness, allow the quality of his work to suffer. Rate this employee only as high in "Quality of Work" as the actual average quality of his work entitles him to. The fact that he *could* do better does not entitle him to a higher rating, but this fact should be commented on in the space for comment under "Quality of Work."

5. Frequent Absence

On the face of the form rate the employee according to what he does *while on the job*. The *general rating* on the reverse side should, however, reflect any decrease in "general value to the organization" due to frequent absence. This would probably make the A B C rating lower than the numerical score would indicate. The fact that this is caused by the person's frequent absence should be stated in the comments space.

6. Should a Quality Ever Be Checked at the Extreme Right?

There will be cases, but only a few, where this should be done. It does *not* mean that you consider that person to be *perfect*. There will probably never be any employee who is perfect in any quality. It does mean that, of all persons regularly doing that class and type of work of whom you have any knowledge, this person is probably in the top one or two per cent.

7. Would It Be Possible for Any One to Receive a Score of 100?

It would be possible, but highly improbable. A score of 100 per cent does not mean perfection. It does mean, however, that of all the persons doing that general type and class of work of whom you have any knowledge this employe is in the top one or two per cent in all six of the qualities graded.

8. Any Other Unusual Condition

The general rule to follow is to use your best judgment, as to how to handle the case, and to explain in the comments space exactly what you have done and why.

If you wish advice at any time on any phase of the rating program ask your division or department head or the personnel officer.

Notice of Annual Service Rating

To _____ Division _____
 _____ Bank or
 Department _____ Corporation _____

For the period of twelve months ending August 31, 194____ (or for such portion of that period as you were employed in this organization) your service rating was:

_____ %

Meaning of This Rating

- 93-100 An exceptional employe, considered by your supervisor to be one of the best he has known in the type and class of work you are doing.
- 84 -92 An employe who stands out clearly as superior to the average of persons in the type and class of work you are doing.
- 75- 83 A good employe; well-fitted to your work.
- 67- 74 A fairly good employe, but somewhat less efficient than the general run of employes doing work of the same type and class as that you are doing.
- 50- 66 A rating this low indicates serious weaknesses in your work efficiency or your attitude, or in both. You should discuss this with your supervisor and ask for his advice as to how you may improve your record.

In any comparison of this rating with other ratings, it should be remembered that the executives who have made your rating have done so by comparing your work efficiency with that of other persons doing work of the same general type and degree of difficulty as that you have been doing and not with that of persons doing work materially different in type or difficulty. It is quite possible for a person doing a less difficult class of work than yours to receive a higher rating, and yet not be as valuable to the organization as you are. He would be rated on how well he has performed his less difficult duties and you on how well you have performed your more difficult duties. In fact, it is quite probable that a person who does such excellent work on a minor job that he is promoted will, for the first two or three ratings after promotion, receive lower percentage ratings than

he received before, and still be making fully satisfactory progress. It merely means that he has not yet mastered the new and more complex work as thoroughly as he had mastered the simpler work.

The values of two ratings of 80 per cent, where the two positions are different in type or class of work done, are no more equal than would be the values of 80 per cent of two farms of different size and type. Ratings of performance should be compared only with ratings of performance on other jobs of equal difficulty and responsibility.

How the Rating Was Made

Once each year you are rated by your supervisor on the following things:

Quality of Work
 Volume of Work
 Knowledge of Work
 Initiative
 Work Attitude
 Attitude Toward Others

Your department head then reviews the rating carefully and discusses it with the supervisor or division head who has made the rating. If together they decide that any changes should be made, this is done.

All of the ratings of your bank or corporation are then studied carefully by a review board made up of the senior officers and the personnel officer. If this board feels that any executive has been either too severe or too generous, generally, in his ratings, the matter is discussed with that executive and he is shown how his ratings compare, on the average, with averages in other departments or divisions. He then makes such adjustments as he believes to be fair.

When all of this is completed, the personnel office figures your total score and this figure is posted in your personnel record.

This figure represents the combined opinion of your immediate supervisor, your division and department heads, and the other officers of your unit as to your general efficiency and value to the organization in the work you have been doing for the past year.

If you wish more detailed information as to how this figure was arrived at in your own case, or if you wish any advice as to the parts of your work performance which might be improved, please feel free to talk with your immediate supervisor, your division or department head, or the personnel officer.

Some Suggestions on Personnel Training and Supervision

A large part of every executive's work is teaching. And it is an important part of his work, because, through teaching, the executive imparts to others the knowledge and skill he possesses, and multiplies his own power to accomplish the desired results. In the paragraphs which follow the principles most important in the type of teaching which a supervisor in this organization will be called upon to do are summarized in the form of nine practical rules.

1. *Make the Learner Want to Know*

If you can arouse in those you would teach a real desire to know more about the subject you are teaching, the rest of your task is comparatively easy.

2. *Start with the Known; Lead into the Unknown*

For example in explaining the bookkeeping plan of an association to a new clerk who had studied bookkeeping in high school, you will start with some statement of the fundamentals which she learned in high school, and then explain in terms of these fundamentals why each item is posted on the books as it is.

3. *Keep Your Explanation to the Point*

Avoid giving unrelated incidents and details, even if interesting, because the learner's attention will be taken off the main subject.

4. *Give a Reason for Each Step*

We remember anything much better if we know the reason behind the rule or method. A second advantage in giving a reason is that any fact is more interesting when the learner knows the reason for it.

A third advantage is that, if the learner knows the reason, he is much less likely to think some other way "just as good" and, thus, to get started in wrong methods, making the teaching of the correct method doubly hard and, sometimes, making discipline necessary.

5. *Demonstrate by Doing Correctly and Exactly What the Learner Will Later Be Asked to Do*

Go as slowly as is necessary for every detail to be seen and understood. Be careful, however, not to go too slowly because if you do the learner will become bored and attention will wander.

6. *Give the Learner a Chance to Express Promptly in Some Way Each Small Portion of What He Has Been Taught*

This is probably the most important rule of all. When you explain just how to do a thing, even if your explanation is understood perfectly, the desired impression is established only slightly. Even when you demonstrate by doing the thing yourself, the impression still may be far from what you wish it to be. But when the learner is given a chance to do it himself, the impression is greatly strengthened and, also, you have had an opportunity to make sure that your

explanation and demonstration have been thoroughly understood.

7. *Check from Time to Time to See How Well the Information Is Retained and Used*

Every executive knows how important a part of his work is that represented by the two words "follow up." This is as true of teaching as of any other part of his work. Much of any supervisor's time is profitably spent in reviewing what he has taught.

As a supervisor you are not only responsible for what the person knows, you are also responsible for what he does with what he knows. And that, after all, is the best test of the excellence of any teaching.

8. *Remember the Importance of Example as a Teaching Force*

Imitation is still a most important educational force. It should always be remembered that the learner is much more likely to imitate the supervisor's example than to follow his precept. If the two contradict each other, it will be difficult to do a good job of teaching.

The supervisor should do whatever he does—operating any machine, talking with an applicant, clerical work—exactly as he would have those under his supervision do it.

9. *Use the Same Care, the Same Teaching Technique, in Giving Instructions to an Individual*

Too often, instructions to an individual are given much more hastily than would be the case if these instructions were given to a group. It is unfair to any employee to expect intelligent cooperation unless all necessary instructions are given fully, clearly, and with due regard for that person's feelings. The same basic principles which apply to all teaching apply to the giving of even the simplest instruction to an employee. Much need for discipline and for doing things over would be eliminated if instructions were always given this way; and in the end the supervisor's time would be saved. A simple formula for giving instructions to an individual is:

Tell how and why.
Do the thing yourself.
Let the learner do it.
Check frequently and tactfully.

Correction

Correction of errors of employees is not the most pleasant task the supervisor is called upon to do but

in that task, well done, lies a real opportunity for service both to the employee under his supervision and to the organization. Skillfully and sympathetically made, correction is the finest act of leadership. It corrects faulty performance by searching for and correcting the causes of error. It builds self-confidence and courage rather than fear, and enthusiastic cooperation rather than unwilling compliance. The technique of this type of correction has seven simple, practical rules.

1. *Try First to Get All Pertinent Facts*

Too often we leap into an attempt at correction with an inadequate knowledge of the facts. When we do this, we usually limp out of the interview having accomplished little but antagonizing the person corrected.

The primary requisite for successful correction is fairness; that no one shall be blamed for that which is not his fault.

2. *If Possible, Choose a Place Which Is Both Private and Quiet*

Correction should never be made in the presence of another employee, except such brief correction as may be necessary to stop, while it is being done, something which may cause injury to a person or damage to property.

3. *Always Begin with a Question*

There is probably no one rule in all leadership which is more absolute than the rule that every corrective interview should be begun with a question. Even in cases where we feel absolutely sure that a reprimand is justified we lose nothing by opening with a question, and we may save ourselves embarrassment; because, even when we feel absolutely sure we may sometimes be mistaken.

For example the supervisor who, when he leaves the office for a day in the field, issues positive instructions that a certain report be prepared before he returns and when he comes in the office early the next morning finds that the work has not been touched, might easily start out with a reprimand.

But it is possible that a letter has come during the day making the report unnecessary or changing the form entirely. In this case the employee has shown good judgment not to proceed.

A question such as, "What happened yesterday? I see you didn't get a chance to make out the report," would give the employee a chance to explain and the su-

pervisor could say, "That's fine Miss _____ I think you showed good judgment to wait."

On the other hand, if there were no real reason for the delay, the employee's answer would show this and he could then proceed with whatever disciplinary comments he wished to make.

4. *Give the Person Being Corrected Ample Opportunity to Talk*

Possibly the employee has a real reason (or at least he thinks he has) for his action, and if he gets a chance to tell this, you can much more easily find a way to help him.

5. *Maintain Your Own Calmness Regardless of the Employee's Attitude*

It is important that the interview be kept on as impersonal a basis as possible. The moment an executive lets the corrective interview descend to the plane of argument it has lost its effectiveness. The less any executive thinks or says about his power, his dignity, his feelings, his prerogatives, and the more he thinks and says about job standards, the more successful will be the interview.

6. *Close Pleasantly; Restore Self-confidence*

When the person has indicated what you believe to be a sincere desire to correct his fault, and the necessary directions as to how to go about it have been given, the interview should be closed, promptly and pleasantly.

In the course of the interview, however, it may have been necessary to point out clearly to the person just where he is falling short of what his job requires. It may even be necessary to point out that he just cannot expect to continue to hold his job unless he shows marked improvement. If such unpleasant facts must be told, there should be no hesitation or equivocation about telling them. All of this, however, will leave the person somewhat low in spirits. If the interview is closed with the person feeling this way, he will go back to the job in anything but the proper frame of mind for success.

His courage and self-confidence must be restored and his enthusiasm renewed. It is well, then, to close the interview by mentioning the employee's good qualities, and assuring him that you are certain that he will have no difficulty in eliminating the one thing which is holding him back, if he will really try. Offer to help in any way you can, and invite him to come back to see you at any time to discuss his progress.

7. Do Not Use Correction Too Often

Do not let correction descend to the level of nagging. It is a wise supervisor who knows when to correct and when not to correct.

Sometimes, when a person is trying hard and yet slips a little, it may be wise for the time not to call his attention to these slips. It is possible that he is trying to overcome them himself and will do so if a reasonable time is given. The supervisor should, however, not wait too long, because incorrect methods, if allowed to continue, have a way of becoming habits which are hard to break.

The Supervisor's Problem Cases

In the experience of every supervisor there will be cases in which usual methods do not bring expected results; cases of people who do not seem to be able to adjust themselves properly to either the job or the group with which they work, and who are constantly causing trouble, themselves complaining or being complained about by other employees. Often such people have the capacity to do good work, were it not for some peculiar viewpoints. An executive with long experience once remarked that it was surprising how often the people who had in one way or another been his "problems" turned out to be his best people, and, in many cases, had become successful executives themselves.

The supervisor's success or failure in the handling of these "problem people" will depend, more than on any other one thing, on the attitude he takes toward them, their grievances and their complaints.

First of all, there must be a real interest in the employee's problem. There must be a genuine desire to settle the complaint, if possible to the employee's full satisfaction.

There must, too, be a feeling of appreciation of the opportunity given to correct a cause of dissatisfaction rather than resentment or annoyance because of the complaint; and this feeling must be made evident by the supervisor's manner.

Finally, there must be a thorough appreciation of the fact that the employee may be sincere in the belief that he is right, even though it is evident to an unbiased observer that he is wrong.

This attitude must be sincere. The executive who still retains in the back part of his mind some idea of leadership as the exercise of power and dominion over others, will not be successful in eliminating the causes of dissatisfaction. The most he can do will be

to suppress for a time the outward manifestation of dissatisfaction.

Steps in Handling a Complaint of Grievance

Always try to reach the real cause of the grievance or fault. More often than not, it is based on a misunderstanding, and if that misunderstanding is removed the grievance or fault is eliminated. Go as deeply into the person's background of training and experience as you can without too much questioning. Is there any bitterness from past social injustices (real or fancied)? What is the fundamental cause of any warped attitude?

Get all of the facts before expressing your own opinion. Listen attentively to the person's whole story. Often this story, supplemented by the answers to a few questions skillfully put, will give you enough information so that you can "see both sides." Sometimes it will only be necessary to give some general advice and explanation as to how the misunderstanding "might have happened," and then to say, "Will you give me a day or two on this? I think, if you will, I can work out a solution for you; in the meantime you try your best to do your part, etc." Always say "will you," rather than "you must."

After a few days the person should be sent for again. It is surprising to note how often in that two or three days the whole thing will have worked itself out. Just your listening patiently and your advice as to what "might have caused the trouble" have removed the trouble. If so, let the matter drop. If not, you now have more facts on which to proceed.

No matter how unreasonable the complaint, try to maintain to the end a friendly, helpful, impersonal attitude.

Finally however, if after all reasonable effort has been made to correct the employee's attitude he continues to make unreasonable complaints and to have difficulties with people in the department, the only practical solution of the problem is a dismissal. No department can afford to retain a chronic trouble maker.

Special Methods for Specific Problems

Conceit (Bluff). Conceit is of two kinds. The more common is that which is really an effort to hide ignorance or fear. A better term for this type would be "bluff," which is defined as "bold speech or manner intended to overawe or deceive."

In correcting this type of apparent conceit, the supervisor should recognize the fact that the primary

cause is, usually, poor leadership in the past experience of the person. He has, probably, frankly admitted his ignorance, and has been "bawled out" for it. The next time he has "bluffed it through," counting on getting the information in time to avoid detection, and has "gotten away with it." There is so much of this poor type of leadership, that it is not surprising that the type of so-called conceit which it causes is perhaps the most common failing the supervisor will encounter.

The natural approach to a correction of this fault is to show the person that bluffing is not necessary, and this can and should be done without trying to "show up" the person's bluff or ignorance.

A method which is used successfully when some person says in a rather boastful way that he is "all set" for some situation, or "has it in the bag," is for the supervisor frankly to say: "Well, this is a subject we probably all have much to learn about. Let's go over your plans together; maybe you can help me some and I can help you some." The supervisor sets the example by admitting that he has something to learn. Then as he goes over the plans, he will probably find place after place where the person is not "all set"; but there should be no "bawling out" or "just as I thought." If the person is of the right sort this will not be necessary. Of course, if after a lesson or two of this type the person continues to bluff, then a plain straight-from-the-shoulder talk on the subject will be necessary.

Conceit (Over-Confidence in Own Ability or Knowledge, Usually Accompanied by Boastful Expressions or Actions). The person who shows this type of conceit usually has some ability. Often, too, success has come rapidly, due partly to ability and partly to fortunate chance.

The best method of approach in such case is, probably, a frank talk, admitting the person's ability, but pointing out the fact that talking about this will antagonize people and sooner or later cause failure. If necessary, just which part of his success has been due to chance may be called to his attention. Also, the person should be encouraged to set higher standards for himself, and measure his achievement against that of those who have done outstandingly well, rather than against the accomplishments of those who have really not achieved anything worth while.

Some executives assert that the most successful method is to "show up" the person; to give him an assignment which he cannot successfully complete, and let him fail. If it is then possible to give the same assignment to someone who has had less education

or experience, but who can do that job well, this will add to the effectiveness of the cure. This method is so likely to antagonize an employee that it is unwise except as a last resort.

Cure conceit not by killing self-confidence, but by raising standards.

Sensitiveness. The person whose feelings are too easily hurt presents a somewhat difficult problem, and yet he is often one of the most valuable in a department. Probably the first step in the correction of over-sensitiveness is to endeavor to understand what causes sensitiveness. People who are sensitive are usually so because they have more exacting standards of some kind than those who are not so, and they are offended by the failure of others to adhere to these standards. Usually they are people of rather keen intellect and fine sensibilities. The dull, stupid person is rarely over-sensitive. The truly sensitive person who can retain his keenness of feeling and his fine sense of fairness and justice, but learn also to understand that all blunt or careless remarks are not meant as insults, is the ideal type for development in most public contact positions.

A quiet, friendly, tactful talk on the subject will usually be helpful in correcting over-sensitiveness. As a rule, too, the opportunity for this talk will be made by the person who is sensitive, and it will not be necessary for the executive to "send for" him.

Care should be taken to begin the discussion with a statement of the person's good points. "But there is one thing which, I think, is really holding you back. Would you like to know what that one thing is?"

Stubbornness. The stubborn person has some strength of character, or he would not be stubborn. He is worth saving.

Almost always there is a reason and, to the person at least, a very good reason, for his thinking he should not do a certain thing. He may think the rule petty and that it has no bearing on his job efficiency.

"We certainly do not mean to ask you to do anything which it is not reasonable to ask, and (smilingly) if your reason for not doing this is better than ours for thinking you should do it, we are not going to ask you to do it. You tell me your reason and I will tell you ours, and I think we can reach an agreement." And usually you can.

Of course, this method presupposes that there is a carefully thought-out and fully logical reason for every rule and requirement. And there should be. If there is not, thank the stubborn person for pointing out the unreasonableness of the rule, and try to get the rule changed.

Reemployment Prospects and Problems¹

By A. FORD HINRICHS

Acting Commissioner of Labor Statistics, United States Department of Labor

THERE is by no means general agreement as to whether full employment can or cannot be achieved in, say two years after the cessation of hostilities, without substantial government aid. However, I am going to make the assumption that there is very likely to be full employment two or three years after the cessation of hostilities. I make this assumption simply in order to focus attention on the problems we must face under the best of conditions when the war ends.

There is going to be a period of six months or of a year after hostilities cease in which there will be tremendous shifts, shifts of such magnitude that it is unlikely that we can undergo those strains on a completely planless basis and still have any sense of social justice and well-being in the community. How well-equipped are we to get people from the jobs they will be doing at the close of the war to jobs that need doing in peacetime?

Furthermore, during that period in which the first characteristic is one of movement, there is likely to be a more rapid rate of contraction than of expansion of economic activity. It therefore behooves us at this time to look at the variables in the picture of that first post-war period and find out the degree to which they can be controlled, and to which the situation in that period can be mitigated.

Dangers in Failing to Plan

Finally, in the light of what can be foreseen, it seems to me to be imperative at this time that we should undertake to plan as carefully as possible to meet the residual problem of unemployment that is almost certain to be present in that transitional period. If we fail to do that, we risk to some extent the recovery itself which I have hypothecated at the beginning of my discussion. More particularly, I think we run very grave political risks. It can hardly be expected that people will be politically inactive in a period as tumultuous as that period is going to be, as presently disturbing and as beclouded with respect to the outlook. Under those conditions we can expect to have vigorous political action developed on the spur of the moment, unless the public at large is

conscious of the fact that some farsighted program has been worked out and that their needs within that period are being reasonably provided for. I do not believe that we can count on wise political action if we wait so long that it becomes necessary to improvise.

That is the sum total of all that I would like to say to you with reference to the postwar problem as I see it at this time.

I was asked, however, to give you briefly some picture of the magnitudes that are involved. From that point of view, I have brought with me a number of charts. If my stage management is a trifle awkward, please remember that I did arrive without very much opportunity to set the stage.

Employment Shifts Caused by War

I would like first of all, to give you a picture of the shifts that have occurred in our economic activity as a result of the strains of the war. [Dr. Hinrichs presented a chart to the audience entitled "Shifts in Labor Force from War Peak to Peace."] In the first chart, the bar on the right-hand side portrays the distribution of human energy as it is going to be used at the height of the war's activity. The character of that employment can be fairly accurately foreseen at this time. There have been outstanding distortions since 1940—there has been a tremendous expansion of our Armed Forces, that is going to continue until we have about eleven million people in the Armed Forces. That represents an increase of ten and one-half million over 1940. Manufacturing will employ about eighteen million people, an increase of about seven million over this base period of 1940. Government employment shows about two and one-half million expansion, represented largely by increases in the civilian establishments of the Army and Navy, the arsenals and the navy yards. There has been some expansion in employment in transportation and public utilities.

These increases contrast with the fact that over this period there will have been a shrinkage of about a million and a half in agricultural employment, a shrinkage of about a million and a half in the self-employed, casual workers, and professional groups; a shrinkage of about a million in construction; and about a million in the trade and service industries.

¹ Reprinted with the permission of the National Industrial Conference Board and the author. An address at the twenty-seventh annual meeting of the Conference Board, May 26, 1943.

An expansion, in other words, of about twenty million, and a shrinkage of about five million. There is a further shrinkage from the base period of 1940 of about seven million in terms of people unemployed; and an increase in the labor force of about eight million people.

The Two-year Period after the War

All this means that we will have at the end of the war a very seriously dislocated economy, in so far as the distribution of the working population is concerned. It is also inevitable that very substantial changes are going to take place, no matter how optimistic one may be about the opportunity of employing this population after the war. This chart is designed primarily to show the general character of the shifts that are likely to occur within a period of about two years from the cessation of hostilities, and is not a precise forecast. In the first place, there will be a very marked shrinkage in the Armed Forces, a shrinkage that may be in the order of eight and one-half million. In addition, no matter how optimistic one may be regarding manufacturing activity, there is going to be a shrinkage of manufacturing employment, a shrinkage which has been portrayed on this chart in the order of about five million people. There is almost certain to be a shrinkage in government employment, if you bear in mind that the largest expansion has been in the civilian establishments of the Army and Navy. As the Armed Forces shrink, the civilian establishments attached to them will inevitably shrink as well. It is quite possible that two million people may be let out of government employment.

In contrast with that, there are going to be certain areas of expansion in non-manufacturing activities—an expansion of some two million in trade and service might be reasonable, perhaps two and one-half million in self-employed; about one and one-half million in construction; and about a million in agriculture.

Residual Unemployment

Under those conditions, we would expect to see employment reach something approximating the normal labor force, with an unemployment residual in the order of four, or possibly five million, people. That implies, however, that you are dealing with a normal labor force—that you are going to have the withdrawal of some five or six million people who came into jobs during the wartime period who were not normally in the labor market. Women are the largest group; young persons coming out of school are a very large group; and persons who have post-

poned retirement, or have come back from retirement to contribute significantly to the total number of those who have swelled our labor force.

The story that I have told is intended to be only roughly illustrative. You can change the dimensions of those guesses by rather startling large amounts without changing the general conclusions that flow from them. I suppose many people might reasonably question whether manufacturing employment would shrink as much as has been indicated in that chart, though many would say that it is likely to shrink even further. So let us assume for the moment a 40 per cent expansion in manufacturing employment, instead of 20 per cent expansion over the 1940 level that we did assume. Let us assume further that construction employment is going to increase not only somewhat more rapidly than it has ever increased at any time in our history, but very much more rapidly, and that in a period of a year or so we get an expansion in trade and service, such as occurred in the decade from 1930 to 1940. Finally, let us assume that government employment remains relatively high, higher than we estimate by say half a million. With all these assumptions you would still stretch our figures of employment by only about four million persons.

If that kind of employment opportunity were available, you would markedly decrease our estimates of employment in certain important segments. It is almost certain, under those conditions, that there would be no increase in employment in agriculture, but rather a decrease because the employment in agriculture that is likely to occur after the war is likely to be an increase in underemployment rather than essential employment in the production of agricultural commodities. You would similarly cut down on the number of persons engaged in casual employment whom we classify as self-employed. You would probably reduce unemployment perhaps two million people. You can make, in other words, as large changes as those in the general assumption and still not come out with a drastically different picture than the one that we have portrayed. By no stretch of the imagination does it appear probable that there will be jobs for all the people now in the labor force.

Problems in the First Post-war Year

I want now to talk about the period of the first six to twelve months after hostilities cease. I have presented these figures merely to show that I am starting from generally optimistic assumptions. One could start with a series of pessimistic assumptions and

come out with a much more unfavorable picture than that which I shall portray.

In looking at the immediate postwar period, the first six to twelve months, I want to emphasize in the first instance the tremendous amount of movement which is bound to occur whether there is any diminution in the total amount of employment or not. I have already spoken of the movement by broad groups: a tremendous withdrawal from the Armed Forces; a relatively large withdrawal from manufacture; a net gain in the field of agriculture; a net gain in various nonmanufacturing fields; a net gain among the self-employed; a considerable increase in the number of unemployed; and a withdrawal of a substantial number of people from the labor force. Within manufacturing, certain groups of industries are almost certain to have a reduction of employment: the fabrication of iron and steel products; some reduction of employment in the machinery industries; certainly a large reduction in aircraft and in private shipbuilding industries. It is even probable that there will be a reduction of employment in establishments that used to manufacture automobiles, even on the assumption that this industry is going back to the highest levels of production in history. Employment will increase in lumber and in the building materials industries. There will be some increase in the textile and apparel industries.

Geographical Concentration of Unemployment

Furthermore, you are not only going to have this withdrawal from specific industries, but also a high geographical concentration of the shifts that are likely to occur.

This may be indicated by the ratio to unemployment in 1940 of the number of men from the various states in the Armed Forces and in war industries at the height of the war effort. In estimating munitions employment we are including things about which there is no doubt: airplanes, shipbuilding. The denominator of the ratio is the number of people who were employed in all types of activity in 1940. If you regard that ratio as a general measure of demobilization, you will see that demobilization will affect particularly the states of Washington, Michigan, Indiana, and Connecticut. In these states the ratio of demobilization is going to be in the order of 45 per cent or more of the total number of people who were employed in 1940. There has been a growth in population since that time, so this may not be true of present employment in those states. The states of California, Utah, Kansas,

Ohio, Pennsylvania, New Jersey, Maryland and Rhode Island have a ratio in the order of 35 per cent to 45 per cent. By way of contrast, we have the group of states in which the ratio is under 25 per cent, but it is significant that there isn't any state that has a ratio of less than 19 per cent.

Need of Adequate Facilities for Reemployment

Now if we are given, first of all, this geographical concentration of war production, and, in the second place, the certainty that very large numbers of people are going to come out of war production, it seems to me absolutely imperative at this time that we should make certain that we have adequately developed facilities in the United States available to assist in the movement of individuals from one job to another. We shall need a strong employment service. If we are contemplating any form of relief policy, we should make sure that it is not set up in such a fashion as to freeze individuals in the locality in which they happen to be, if future employment opportunities are dark there. We need to examine our residence laws to determine whether they are now, as in the past, likely to block the movement of people from one area to another. We probably want to ask ourselves whether individuals are going to be able to make financial provision to move themselves from centers of demobilization to towns in other parts of the country. After the last war, for example, Mr. Baruch found it necessary or desirable, from the point of view of his conscience, personally to pay the carfare of large numbers of typists from the city of Washington back home. They didn't have the funds to get out of the city when the government jobs in which they had been operating folded up.

Training and Retraining

Finally, I think we are going to have to look very carefully at our training and retraining facilities to make sure that they are adequate to develop skills in peacetime employments. Many who are now employed have acquired limited skills of particular use in wartime. Many of them had been unemployed for extended periods before the war and others have come of working age during the war. This is the time when we can look at our facilities for easing this problem. If we don't do it now, it is almost certain that the problem is going to be upon us before we are able to devise the facilities that are going to be necessary.

Actually, we cannot assume that jobs will be available at once for all those laid off from munitions pro-

duction and from the Armed Forces. No matter how slowly we demobilize, it is almost certain that demobilization will proceed more rapidly than civilian employment can expand.

Scope of Temporary Unemployment

No matter how you manipulate your variables within any kind of reasonable limits, there is a period of six to nine months after hostilities cease in which a fairly substantial volume of unemployment is almost certain to develop. It is a volume that is probably going to run, in minimum terms, in the order of eight to nine million people. These are not eight to nine million people who are going to be unemployed, world without end, but people who, at any time, are engaged in looking for a job. Their situation will be better than that of the unemployed during the depression because the civilian economy will be expanding, whereas in 1932 every type of employment was contracting simultaneously. But if anything like this volume of unemployment is in sight, we need to be doing everything that we can to keep it to a minimum.

Importance of Sound Contract Termination Policy

For example, we need to look at the problem of contract cancellation in connection with munitions manufacturing. That job was very badly done after the last war; it just happened. I am quite certain that it is not possible to think of letting all contracts run out to completion after this war. It should be possible, however, to slow down the process of demobilization by continuing contracts for products having a social value. But if you will try to visualize the job of sorting out those contracts which can be usefully continued and those which can not, you will recognize that it is not the kind of a job which can be done in the hectic atmosphere of demobilization when the first thought of everybody is "Thank God it is over and we can go back home."

Furthermore, contract termination plans must be worked out so that working capital will not be tied up. Businessmen must be able to liquidate their war contracts if they are to undertake rapid expansion of their peacetime business.

Control of Withdrawals from Labor Force

The second of the variables that may be controlled to some extent is withdrawals from the labor force. To the extent that withdrawals from the labor force are expedited, we will have an easier period of transition

than would otherwise be the case. It is not going to be easy to do the job.

We shall work serious hardship on many individuals if we attempt to compel any group to withdraw. It is very easy to talk about the fact that there are five and one-half million abnormally in the labor market. However, there isn't a single human being that you can put your finger on and say, "This man or woman is an abnormal entrant to the labor market and therefore will have to be removed." For example, it is usual for a certain number of married women with children to work. The thing that is unusual today is merely that so many of them are working. To discriminate against them as a class after the war would create real hardship.

Control of Additions to Labor Force

It is going to be possible, however, to do a certain number of things to set the stage to expedite the withdrawal of individuals from the labor force. One possibility is that we can be certain that we turn off the faucet in the schools, just as at this time we are turning it on. This should be done the instant that the need for those people in the labor market is over. Every year, there are something like a million and a quarter boys and about a million girls who come into the labor market from the schools. To the extent that the faucet is turned off, we can contribute to an effective net withdrawal from the labor force. This should be supplemented by setting up a system which will encourage the return to school of those who left without completing their education, but this may necessitate some reconsideration of the content of education for a group who are no longer school children.

Aid to Private Enterprise

Finally, it is perfectly obvious that we want to do everything which is humanly possible to expedite the rate of recovery of private enterprise.

Public Works

After all that is done, however, we are still certain to be left with a residual problem of fairly considerable magnitude, and we need to be sure that in that period our system of unemployment compensation is adequate to meet the needs of the period. We need to be sure, in so far as public works are to be used, that they are planned to advantage. We need to be sure that the projects are worth-while and are not hastily improvised to make work without regard to the value of the end product. We need to be sure that

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Objectives and Methods in Management Education¹

By PERCY S. BROWN

President, Society for the Advancement of Management

EVERY generation has had to train its youth to cope with problems which were not yet understood. Ours is not different from former generations in kind, but it is incalculably different in degree. Human life has always been in a stage of change; and the problem of each oncoming generation has been, not only to learn what the older generation could teach it, but to unlearn a lot of fixed convictions which the elders had accepted as basic truth. The main difference between us and former generations is in the extent and character of the social convulsion which is happening now.

Ours is the first generation in human history to look out upon world-wide total war. There have been periods of great disturbance in the past, and each of them has been followed by some limited revolution, not only in economic and political processes but often in the moral and spiritual life—a change in the very standards by which human beings come to measure human values.

We, for instance, have lived and learned in modern industrial America. Most of us have been thrilled by that experience, and we have been inclined to smile indulgently at those old-timers who were forever looking back to the horse-and-buggy age when people, they said, did not rush about so madly and at least found time to eat and sleep.

Rightly we said that they were behind the times. Well, we're behind the times now. The older generation, even if it is necessarily the teacher of the younger, is always and inescapably behind the times; and how far behind they are depends mostly upon how far-reaching and how sudden the current world change is.

But this doesn't relieve us of our responsibility as teachers of the more advanced but still ignorant younger generation. I trust, however, that it may tend to make us humble and not too cock-sure that the coming generation must choose between going our way and "going to pot."

Most of us have lived, for instance, in a world in which success was generally associated with the power and security which came from making money. Most of us recognized, of course, that money isn't every-

thing, but we customarily measured the success of an enterprise by the profits which it made, and even perhaps the success of a manager by the salary he was able to command. But such measurements are not eternal and immutable. They may have served our time very well, but there is no reason to assume that the coming generation will necessarily employ them. For all I know, post-war youth may not be much interested in making money. There has been a definite swing, at least, toward finding security and power in social planning rather than in individual go-getting. Perhaps, if we had their point of view, we would not consider a well-managed and highly prosperous patent medicine business as more successful than, say, the New York City water system which doesn't make any money at all. Money-making may seem quaint and old-fashioned to the youngsters whom we are planning to teach.

I confess to being woefully ignorant as to what this First Total War is really doing to us. I know it is upsetting a lot of our calculations. I suspect that it may upset a lot of formulae which we have customarily considered basic. I guess that it will direct world thinking toward making this the Last Total War, and toward the discovery of some formula under which people will not be likely to struggle against each other.

That this would necessarily mean socialism or communism, I cannot see. Perhaps it may mean something we haven't thought of yet and to which, therefore, we haven't given a name. But if human beings should quit trying to get ahead of each other, and begin to struggle to get ahead *with* each other instead—and the task of abolishing war may mean exactly that—how are we, who have been conditioned by the competitive struggle, to teach them how to live this utterly new life? I don't know. I doubt that any of us do. If we did know, this conference would be quite unnecessary.

In our day, we engineers and managers were not much concerned with what we were producing, and why. We had our hands full trying to find out *how* to produce it efficiently with the least possible expenditure of labor and material. Perhaps it was all very well, therefore, that our education for our job should be almost wholly technical. There is reason to suspect, however, that a mere technical education

¹ A speech delivered at the opening of the Management Education Conference conducted by The Society for the Advancement of Management in co-operation with the Wharton School of Finance and Commerce, October 15, 1943.

will not do at all for our future engineers and managers. It may be that they will have to decide *what* to produce, and that they must reach their decision, not according to somebody's hunch as to how he can make a profit, but according to a scientific calculation as to what the world needs most.

Obviously we can't get along without technical instruction. I, at least, cannot imagine the abolition of mathematics and dependence hereafter on some Hitlerian intuition instead. I think we shall need more chemistry and physics than ever before, and more and better technique in all our physical operations. But if science is to be directed consciously to the fulfillment of human needs, it seems to me that the scientific manager must become educated in the humanities—quite a different person, perhaps, from the mere "efficient engineer" which some of us once set out to be in the dim, dead past of, say, twenty years ago.

Now, this may be a personal prejudice of mine. If so, I trust it may be corrected at this conference. Some of us engineers, away back in that prehistoric Harding administration, had a hunch that there was something sadly lacking in our education. I remember discussing the point with the engineering faculty of one of our great universities. I couldn't state it clearly, but in some vague way, I wanted the mechanical engineering course to be "humanized."

It was pointed out to me, however, that the four years needed for specialized training permitted no time for anything else. So I suggested a six-year course—four for mastering the laws of the machine and two for discovering, if possible, the essential difference between human beings and machinery. I didn't win the argument; but the technical schools did find that they could work in courses in personnel relations and other subjects which, up to then, had not been admitted to an engineering course.

I still believe in the six-year course, but now believe in it passionately, rather than complacently, as a forward step in our educational program. It is not new, because most graduate physicians have had at least six, and some of them more years of preparation. Furthermore, lawyers undergo from six to eight years of preparation. Even in industry, it isn't uncommon for men to prepare themselves for executive positions by taking graduate work, and using up six years or more in the process.

I would commend to your consideration the following: a uniform basic cultural college education requiring four years, and permitting only two minor specializa-

tions leading to two degrees. These specializations would be in the arts and the sciences, the one leading to a bachelor's degree, in the arts, and the other a bachelor's degree in science. In the four years, every prospective lawyer, physician, chemist, engineer, or business executive would be grounded in such usual subjects as English, one or more additional languages, biology, philosophy, sociology, economics, and so on. In addition to these, he would have more than the conventional amount of attention paid to his understanding of psychology. He would learn of the international aspects of trade, and of cultural relations. He would preferably spend part of his senior year earning credits through study and travel abroad. He would be grounded in the problems of agriculture and those of the consumer. He would, of course, be thoroughly grounded in the reasons for the existence of labor organizations, their strengths and their weaknesses. He would be more than familiar with the growth of cooperatives, and the cause of this growth.

With this basic training, the graduate should be ready to cope with problems in the field of human relations, even though he undertake no further studies. He would understand why Townsend Plans can grow and flourish, and why they are unsound. He would understand the need for unemployment insurance and old-age assistance, the value of incentives other than financial ones, the terrible toll taken by accident and disease, through insufficient doctors or too heavy concentration of doctors in the wrong places, and how the problem can be met and solved. More important than all, it seems to me, he would never again be fooled by Fascism, even if it did make the trains run on time, or by any other scheme to improve humanity by suppressing every human aspiration.

If he wants to specialize, he would now have the background for such specialization, and through graduate work, could enter his chosen field of engineering, chemistry, medicine or anything else that appeals to him from a career standpoint.

This is not easy, but I do contend that it is desirable. In that you may not agree. Perhaps I paint the picture in too vivid colors and try to squeeze too much into a four-year training. I don't attach too much importance to this, because obviously, when it comes to making up the four-year curricula, emphasis will vary, depending on where the college or university is located, or on the interests of its dominant personnel. We may say that the cost of six years of preparation

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Post-War Executive Talent¹

By THOMAS B. McCABE

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THIS subject is one of keen interest among my associates. I have found it far easier to apply the thoughts in connection with it to a specific business than to industry generally, or to schools of business administration. Therefore, speaking for the specific company with which I am connected, I will address you as I would the staff there with the hope that what I say will provoke some discussion.

It is obvious that our first and paramount job is to win the war. With this knowledge is a growing consciousness that we must win "a better world to live in"; otherwise, the supreme sacrifice of our men will be in vain, for unless it is a victory which enables us to establish such a world we will have won the present and lost the future.

Our forefathers won the right to live as free men, but we must win the right of free men to work. A job for everybody and everybody in a job has resulted in an industrial miracle in our war production program, and it can help us win the peace.

We must prepare for peace by encouraging government, labor, business, educational, religious and other groups behind the front line to seek ways and means of attaining this goal.

Sound planning by the government is equally important as it must provide the internal framework as well as the proper administration of such a framework to permit the smooth functioning of the competitive private enterprise system. Externally, the government must develop relationships with other countries which will offer maximum opportunity to maintain postwar world peace. We have learned by bitter experience that our domestic peace and prosperity depend upon peaceful and prosperous conditions in other parts of the world.

The government has called large numbers of our industrial leaders to Washington to serve in the war program. These men, like Stettinius, Nelson, Wilson, Batt, Knudsen, Harriman, and scores of others, have displayed outstanding ability as public servants and have assisted in bringing industry closer to government and government closer to industry. These men will be of inestimable value in assisting with plans to create a better environment in the post-war period.

¹ A speech delivered at the Management Education Conference conducted by The Society for the Advancement of Management in co-operation with the Wharton School of Finance and Commerce, October 15, 1943.

It is reasonable to expect a short period of readjustment following the war, but there need be no major business slump. Certainly this war is not being fought to restore the "good old days" when we had idle men, idle money, idle plants and idle opportunities.

What are we going to do about the millions of soldiers returning to peacetime pursuits, eager to work? Matured by their experiences, possessing new and broader viewpoints, they will constitute a vigorous social force with which to reckon. Here is a job which challenges all the abilities, ingenuity and resources of American business and other groups. Upon our success in meeting this unprecedented challenge may depend the survival of a dynamic free society in this nation. We dare not underestimate the staggering proportions of this assignment nor the consequences of failure.

We know that to provide maximum employment, the plants of this country will have to be kept open and busy. That means there must be necessary work for them to do, filling the needs and wants of the people of America as well as those of a war-torn world. Sumner Slichter has estimated that, if the war continues until the middle of 1944, the deferred demand of the American public will be 25 billion dollars, and that, if the war continues until the middle of 1945, it will be 50 billion. Unless the government imposes much higher taxes than at present the people of America will have tremendous purchasing power ready and waiting when the war ends. Naturally, the first question we ask is, where does our business fit into this picture? What can we do in our individual enterprise to prepare for the problems which will inevitably face us after the war?

Based on past experience we can estimate the number of people we should reasonably employ during the post-war period in order to contribute our share toward a higher level of national employment.

Marketing Is Important

We can develop plans for the production and, more important, the marketing of a sufficient quantity of merchandise to keep these people employed.

In our company we regard the work of such vital importance that we have assigned it to a Director of Post-War Planning and he, in conjunction with a staff of executives, is working out the program.

It is obvious that industry's most important problem is marketing. We have mastered mass production, but we have not built up peacetime mass consumption to take the output of our industrial machine running at top speed. The solving of this problem will go far in solving the post-war problem of providing jobs.

The whole distribution system has been seriously and dangerously paralyzed. What we call "markets" have been sacrificed to a large degree to war needs. It will take tremendous sums of money invested in research and sales work and, especially, consumer advertising to repair the damage to markets and distribution.

But it must be done, done wisely and systematically, if we are to utilize *the impetus of the first great spending wave after war* to carry on through the years.

Now that we know our problem and have defined our objective, we can think of the executive talent required.

It is obvious that sales executive staffs will have to be improved and enlarged, and that the chief official in charge of marketing will of necessity have to be a much broader gauged man than ever before. Marketing research should become as important as chemical or physical research and the right executives should be found to make it so. Isn't this a field for further exploration by the universities?

Advertising, one of the most powerful forces in merchandising, has never been subjected to what we term the scientific approach, except in a very timid and halting manner. Starch is doing an excellent job in measuring the effectiveness of copy. But I mean getting down to the roots and studying causes. It might be said that advertising is to merchandising what electricity is to production. Think of the great men of science, the electrical wizards and the research laboratories, who are studying electricity. Where would we be in this war without electricity? The prospects of electronics in the post-war period are positively thrilling. But what do we hear about post-war advertising? What great universities, laboratories and wizards are studying merchandising, especially advertising, to the same extent as electricity? And, why not?

Executive Qualities Needed

In order to attain mass consumption we must drastically alter our old concepts of marketing and production, especially those which in practice tended to limit production and create artificially high prices.

Unless we change our thinking, there seems to be very little hope of ever employing all the potentialities of our huge production machine, operating at full time. Otherwise I can see no way of preventing mass unemployment. The executive leadership for carrying out such a program must be bold, courageous and resourceful. They must have minds that are open to the economic forces around them. Above all, they must have judgment.

What qualities are we looking for in a potential sales executive? We think it is imperative that he have an exceptionally high grade of intelligence, but he need not necessarily be scholastic. He should have a wide background of knowledge and experience sufficient to attain standards of value against which to check day to day problems. Since the sales executive deals primarily with people, it is important that his human qualities be highly developed, and that he be a leader in all that the word implies. Above all, he must have vision. I have paraphrased the biblical text to read, "Where the sales manager has no vision the business perishes."

All good executives should recognize the vital necessity of giving the business continuity of leadership, and be willing constantly to introduce young men of great potential strength into the business and to bring in outside executives, if necessary, to supplement their training and experience and, especially, the qualities and attributes which they lack. Dr. Waldo Fisher says, Add to that the ability (1) to break a problem into its elements, lift out the basic factors involved, formulate the principle to be applied in handling the program and delegate it to others, (2) to energize his associates to carry out the desired objectives and you will have an executive.

The knowledge of when to insert and withdraw men from certain positions constitutes the highest order of leadership. The degree of fairness with which this is done will largely determine the esprit de corps of the organization.

Sources of Leadership

I have been asked the following question, "From what sources may executives be secured in the post-war period?" As I see it, there will be four principal sources:

1. Each business has a considerable portion of its men in the armed services. From the parent organization of my company it is almost 30 per cent, and of this group one-fourth are officers. We expect that a number of our future executives will be drawn from

this source. From personal contacts and correspondence with many of these men I have observed a very rapid development in their qualities of leadership. Many of them are gaining a type of administrative experience in a short period of time that we could not possibly give them here. For example, one of our very young salesmen came to see me a few weeks ago and I was amazed to see that he is already a Major and is on the Headquarters Staff in one of the Corps areas. He is now only twenty-six years of age. I would say certainly that he is very promising executive material for the post-war period. "The University of Hard Knocks," especially if it is war, is an expensive and dangerous way to obtain experience, but it does develop men.

2. The men in business on the home front have had to grapple with some of the toughest problems of their careers, especially in manufacturing and general administration. Almost every conceivable difficulty has arisen, including labor turnover, absenteeism, lack of materials and a multitude of government rules and regulations. The solving of these unusual problems has made them more resourceful, taught them that the word "impossible" belonged to the pre-war era, and has compressed into a short period of time the managerial experience of a lifetime. From these resourceful men we should also secure a number of our post-war executives. Our policy is to make promotions whenever possible from the ranks.

3. If history repeats itself, there will be available a large number of high type executives temporarily out of employment and available due to the transition from war to peacetime production. From this group we will be interested primarily in men with technical backgrounds, as for example, physics, chemistry, engineering, etc., as well as men with research experience, who will be willing to accept junior executive positions to start. Only rarely do we bring in a senior executive from the outside.

4. We expect to continue our very successful policy of the past of recruiting from the schools and colleges as many outstanding graduates as we can assimilate and placing them in the various functions of the business. The most promising of this group we rotate from function to function and place them in small groups for special training. For several years they have been one of our very best sources of junior executive material.

In normal times our Personnel Manager covers a wide range of colleges and universities in search for the special types he has in mind. If he is looking for

engineers and desires to have one or more potential executives in the group he will try to select them from different colleges and different sections of the country. In this way we gain the advantage of many different points of view and various individual approaches to the problems. High scholastic standing is a more important quality in engineers, accountants and research executives than in sales, personnel or factory operating executives. The former operate a little more with facts, figures, test-tubes and slide rules, while the latter deal primarily with people. In choosing executives from either group, we will gladly accept those with average scholarship if the "human qualities" have been highly developed. Primarily, we are looking for the exceptional type man with broad human understanding, a thirst for general knowledge, ability to write intelligent and interesting reports, and, finally, demonstrated ability to talk well and influence others. Unless he has these characteristics he is not the best executive material.

The four sources I have mentioned will offer industry the widest range of executive talent that it has ever enjoyed. Both the men in service and men on the home front will at the end of hostilities constitute the largest combined group of practically trained men that this country has ever seen. The sudden impact of these men presents several problems for industry and for educational institutions. Many businesses will have a surplus of potential executives,—those presently on the home front plus the returning service men.

Many of the returning service men present interesting problems, as for example, the accountant, or salesman, or factory worker, who by sheer ability has advanced to be a Captain or Major in the Army. Will we place him in his former modest position when he returns? Generally speaking, I think not, because he will have developed qualities of leadership to a far greater extent than he could have here. He has also gained a breadth of knowledge and experience which we could not give him. It would seem that many men like this will offer excellent potential executive material. But can we absorb all of them? That is the big question.

If we cannot, how will this affect recruiting from the educational institutions? Should industry and the educational institutions get together to discuss a program covering:

1. Placement of graduates for the first year or two of post-war.

2. Graduate study for the surplus of potential executive material, drawing some from ex-service men and some from the home front.

3. Types of curriculum to best prepare the undergraduate and graduate students for executive positions in industry.

I recommend strongly a series of conferences on these subjects. I am sure that industry needs your assistance, and I think you will need industry's assistance even more because your graduates will be faced with terrific competition for placement in the post-war transition period.

I have assisted, in a modest way, with a plan of vocational guidance which was instituted some years ago in one of our Eastern colleges. (The plan as initiated was under the direction of a member of the College Administration, appointed for the specific purpose of assisting students with their vocational problems.) I believe it is desirable for college men who expect to enter industry to be exposed in some form to industry during their undergraduate days. By exposure I mean the opportunity for the student to fill a position during vacation periods in a factory, office or even a retail store, and, by actual contact with selling, advertising, accounting or plant operations, to become acquainted with the job and thus determine if it has an appeal. If he does this two or three times during his college career he will have the opportunity of comparing the appealing merits of one vocation with another, and at the same time become more familiar with the problems of industry and the professions. My observation has been that where students have this experience they go back to their college with a much better understanding of the significance of their college work.

I do not wish to convey the impression that this program opposes the purely cultural forms of education or works against those colleges where the emphasis is placed on the liberal arts. Certainly, society and industry need more men of broad, cultural background. My impression is that we have brought as many men into the business from the liberal arts colleges as any other. What I wish to emphasize is that, if the student intends to enter industry upon graduation, irrespective of his college or course of study, he should be formulating his plan of entrance while he is in college. Such a program, I believe, will develop more potential executives for the post-war period.

I have a vital interest in your job and believe that your institutions and industry should be brought closer together for their mutual benefit. We from industry often have a closed mind toward economic problems. Your minds are much more objective. You are better able to see many sides of a subject. You have made rich contributions to the American way of life, which we are waging war to preserve.

In the April 1943 *Bulletin* of the American Association of University Professors was a caption, "Teachers keep the Faith." It was the reprint of a letter from a man in the Air Service. I will read only this portion: "The teacher is a dedicated man. This world of ours will be saved or lost by the history of its education. It is my belief that the teacher, the professor is the world's most important person today. If he fails, all else fails. If he surrenders his integrity, his faith, his duty, we soldiers have worked in vain, and man shall have died in vain. To those teachers who maintain their spirit, who hold proudly to their positions, goes my salute. Do not fail; or else we fail."

The Society Plans Ahead (Continued from page 114)

official approval of these themes and this was given. So far as is consistent with the pursuit of our broad policies of advancement of the science of management we shall apply our "know-how" directly to manpower utilization and to the problems of conversion. Our National Conference to be held at the Waldorf-Astoria, New York City will be based upon these themes. The conference carries the title: Management Problems of Conversion—the manpower utilization and reconversion problems created by total war.

Our guiding thought shall be to serve those members whom we have.

Success in thus serving the interest of SAM will accrue only if we give the free play to the minds and spirit, and skill of our most talented members. The expectation of success in planning ahead for SAM rests entirely upon faith, in our ability to allow room for action by those members who fully sense the implications of professional management, and management as a science.

Orienting Business Education After the War

By ORDWAY TEAD

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BUSINESS education at the university level has now come of age. Its growing pains and adolescence have had their encouraging side but that all has been sound and satisfactory during the process of growth, no one would seriously maintain. The ten year era of prosperity, followed by an equal period of depression, revealed tensions in our economic structure to which it was not easy to adjust instruction in business. It is not unreasonable to assume that the profound dislocation of the war years now makes possible and indeed necessary a total re-examination of our efforts in this field.

I propose, therefore, to offer, first, a number of underlying premises which it seems to me may commend themselves for acceptance by administrators and scholars in our universities and colleges; second, to try to be a little more explicit about objectives; and, third, to give consideration to problems of curriculum and other methods in the light of the premises and objectives set forth.

Premises

I. I submit for consideration the following premises:

- A. There is a public good to be discovered and to be kept in view as prior to lesser, private and self-interests. The notion that a public good arises automatically out of and is completely assured by a totality of individuals or groups pursuing solely individual or group enlightened self-interests is a false notion.
- B. There is a positive social value in a maximum utilization of actual and potential productive equipment and in a widespread diffusion of goods and services through a high level of purchasing power.
- C. The criterion of successful operation which says that in a money economy the prices shall (except in special cases publicly acknowledged) cover all costs and leave a margin for obsolescence, depreciation, expansion and compensation for risk, is a valid criterion irrespective of the question of how this margin is socially allocated.

¹ A speech delivered at the Management Education Conference conducted by The Society for the Advancement of Management in co-operation with the Wharton School of Finance and Commerce, October 16, 1943.

- D. The demand that economic institutions shall in some wise satisfy the test of being democratically organized and operated, is a valid demand.
- E. The concept that economic prosperity even across national boundaries is a common and shared benefit is a valid concept. It is a deception to believe that one corporation or one nation can for long improve its economic position at the expense of other corporations or other nations.
- F. The values to be sought and upheld in a society or nation are not material in essence, and are not objectively or quantitatively measurable in the last analysis. They are values of personality fulfillment, personal growth, integrity and creative power in terms of unique individual contributions to a public welfare which is advancing the ends of a society of developing personalities. Shared companionship in a beloved and unlimited community is a value reasonably ultimate in its thrust and implication.

Clear Objectives Needed

II. It is a familiar truism that education to be well conducted should be based on a clear formulation of objectives or aims. Vocational or professional education is not exempt from this requirement.

It does, however, have to be recognized that such objectives are not and cannot be far dissociated from the sense of aims and values of the society in which the education is being carried on. Yet I think it will command general agreement when I say that no education is defensible if it is operated solely as an indoctrination in the principles and practices of the status quo. There is always the consideration not only of the total cultural heritage from the past, but of the dynamic utilization of it in relation to possible improvement for the future. Certainly in a vigorous democratic society this assumption of the need for continuous betterment, the need that the next generation shall build on our shoulders for a progress which is both material and spiritual—this assumption is not only defensible but inherent in the atmosphere of our living.

Hence it seems to me that if we are to build on solid foundations we must consider the subject of educational objectives in relation to some light on the following questions: What are the aims of a democracy at its best; what are the aims of a university at its best; what are the aims of business institutions in a democratic society; and what are the aims of the students themselves in such a society?

Certainly in broad and general terms there is a reasonable consensus of view about the aims of a democracy. In our kind of society it is agreed that individuals are entitled to be persons to whom shall be accorded opportunities for growth and development, for the acquiring of a sense of richness and wholeness in living. It is assumed that the interests they desire to realize are more than material. We acknowledge that life is more than the abundance of things which we possess. A democracy seeks opportunity for all of its members to have some reasonably satisfactory outlet in terms of the possibility of expressing creative drives, of realizing affectionate relationships with others, of developing a capacity for appreciation, of sharing in a supporting sense of fellowship in a larger group and loyalty.

No agencies are to be fostered which positively detract from these aims and if existing agencies do not adequately support and further these purposes it is necessary that common, organized and public efforts be undertaken to help assure their realization. A modern democracy recognizes a positive responsibility upon the people's government to be affirmatively interested in supplying the supporting conditions of a good life. And the conception of a good life includes emphatically the development educationally of a sense of individual *responsibility* no less than the opportunity for individual effort in its creative phase to be socially useful.

And one important criterion of the soundness of the structure of organization in a democracy and of the methods of participation which those structures create, has to be a positive assurance of shared responsibilities, of an active voicing of needs, and of a sober appraisal of the work of democracy's leaders (in private and public office) undertaken periodically to determine whether they should remain in office.

In today's society the concept that that government is best which governs least gives way to the affirmative position that that government is best which is able successfully to balance the requirements of security and stability for its citizens with the demands of personal freedom, initiative and incentive.

The aims of a university are not unfamiliar to us but we need perennially to remind ourselves of them. A university is trying to discover and to impart that truth which will make men free. It attempts to be articulate about the social, economic and other forces currently at work in the world and to include in this articulation aspects of description, appraisal and advancement. It aims further to supply to all concerned some perspective on the time elements and historic experiences with the play of social forces and the ongoing of social processes. It aims to foster a capacity for problem solving by the vigorous imparting of a grasp of the scientific method.

Again, at its best it seeks to clarify the nature of the public interest and show vividly how it is superior to all lesser and special interests. And it should have something to say as to what that public interest is, where, in terms of activities, it lies, and how it may gain effective expression. Surely, also, there is no argument that in our kind of society a university aims to present a clear and reasonably persuasive interpretation of the inwardness of the democratic aspiration, process and method.

Finally, in so far as the university engages in professional or vocational education, it will do so on an assumption of the primacy of the public interest.

It might be supposed that there is little to be said about the aims of business institutions because in our kind of society those aims are single and have to do with the realization of profit. I believe this to be a vast oversimplification of the facts. Even within a consideration of the aim of profit making there urgently arise such questions as: How much profit is to be made; how is it to be made; and to whom is to be allocated? These questions, in fact, qualify seriously the simplicity and singleness of the purpose.

I believe most teachers of management would also agree that other aims have already had a contributing influence of a somewhat independent character. There surely exist aims of getting low costs, of obtaining large output, of supplying opportunities to realize the creative urges and sense of achievement of individuals, and, finally, aims of making sure that personal integrity is not destroyed in the process and that some degree of personal growth is being secured for as many as possible of those employed.

A further aspect of aim which cannot be ignored as a factor is that there shall be a utilization of resources, equipment and people in ways that represent a basic conservation and not a destruction of assets, material and human. Moreover, in the present scene the busi-

ness man must in all prudence aim to conform to publicly imposed standards of fair and humane practice in all phases of operation.

The conclusion seems to me undeniable that, realistically and operationally viewed, the aims of business organizations are not single but plural. Indeed, there are also primary and secondary aims—as well as short-term and long-term aims.

In this connection any assumption that the pattern of structure and of motive is a simple and single one in our economic operations is a false assumption. We need to remind ourselves as teachers that in actual fact the production of goods and services takes place in and through a diversity of patterns. The fact is we find productive activity in public departments and bureaus, in publicly owned corporations, in closely regulated public utilities, in semi-monopolistic, large-scale enterprises, in mutual companies, in highly competitive situations, both large-scale and small-scale, and in co-operative societies which are increasingly carrying on productive activities.

In the light of this diversity of forms, now being referred to in their total as “a mixed economy,” it should in passing be pointed out that we have a problem of semantics here which business education must not ignore. The air today is full of an uncritical use of such phrases as “free enterprise,” “individual initiative,” “bureaucracy,” “collectivism.” And it is exceedingly difficult in any given case to know what specific economic activities the user of these phrases is referring to. If economic functions are more or less related to economic structures and if structures bear some relation to our economic needs, it should be clear that our use of these meaningless abstract words should be seriously held in check. And the business student is under obligation to understand that his approach to economic aims cannot be a simple one and must take account of a fluid situation with a variety of structural patterns in which we are as citizens, as producers, and as consumers, continuously reappraising how well economic functions are being assumed and when and where they may conceivably have to be re-allocated for more efficient functional operation.

It is important, next, to confront the fact that the aims with which students enter schools of business are also complex. We have come through a period in which to a considerable degree those aims were accurately described as student purposes of self-interest, self-advancement, and self-aggrandizement. Surely the inadequacy of such motives in relation to the future economic scene needs no elaboration.

Increasingly one is able to identify a student aim as desire to equip oneself to utilize personal capacity through economic effort in order to make a maximum creative contribution to society. Stated in another way, such students wish to be helped to translate their sense of sound social values, efficient productive efforts, a forwarding of democratic processes and a regard for the integrity of personality, into operating competence in executive positions where new practice and newly invented methods can be given effect.

In the light of all this, the aims of business education itself emerge with reasonable clarity. Business education should attempt to define the public interest, to describe going operations, to impart a clear sense of the several functional responsibilities necessary to the conduct of economic life, to appraise the contemporary operation of these functions critically and to think creatively about their improvement. Business has a great need for those with a capacity to generalize, coordinate and synthesize. This is what administrative ability is. Business has the need also for experts in the control of major functions, such as production, sales, finance, personnel, design, engineering and research. It has the need also for experts in such facilitating agencies as banking, insurance, and real estate. The areas of distribution, wholesale and retail, have their special functional problems.

A common thread running through all of this need is that business executives shall be able to deal in effective and coöperative ways with the agencies of public control by which they are surrounded. Today and tomorrow a capacity for a sympathetic relationship with such agencies of control becomes more important than ever.

Even in the light of these special needs, however, I am bound to say that I am doubtful that a great deal of specific and detailed expert skill and specialized operating knowledge of methods can be directly imparted. Particular practices, we know today, are usually peculiar to the needs of individual companies and the diverse methods of individual companies have to be learned on the job. It is a mistake to believe that we can turn out full-blown candidates for positions of factory superintendents, sales management, etc.

What we can do and what we should attempt to do seems to me, rather, to be capable of statement in the following terms. Students should be helped to develop their capacity for fact-finding. Their ability to reflect in orderly ways and to handle the thought processes of problem solving is an essential. They should be at

home in their ability to deal concretely with the application of general ideas. They can be helped to sensitize their abilities in the field of human relations and effective dealings with people including the exercise and improvement of their capacities of leadership. They can be helped to clarify their view of relative perspectives as to the claims of corporate interests as over against those of the public interest. They can be brought to a far more vivid knowledge than we have ever yet attempted of the meaning and implications of democratic processes as applicable to business institutions.

And all of this can be done not in terms of individual courses but in terms of an approach in *every* course in which these basic objectives are dominant in the thinking and methods of every teacher.

Educational Methods

III. I shall assume that for the immediate future the consensus of view is that business education as such may well be confined to the fourth and fifth years of the college experience. Prior to the fourth year it should be possible to assume that the student has had sound courses in the following subjects: economics and economic history, psychology, sociology, economic geography, a general course in the natural sciences, and a course in ethics or in the basic problems of philosophy.

I should like to hope that the foundational study in the major fields of business organization might be given from the institutional and functional point of view which has characterized the development of this teaching and of texts for it at the University of Chicago. Methods and texts for the study of the financial organization of society, of distribution, risk bearing and public regulation, for example, have been well organized.

We are still weak in good introductory courses in over-all business organization and in the science and art of administration, both of which in close interrelation should be foundational studies in the new curriculum. I repeat that the approach to all of these should be in terms of the consideration of functional, social and economic needs and provisions and not merely in terms of corporate bodies as merely profit-making agencies.

Every student of business should further have a grounding in general statistical knowledge, in the foundations of general accounting procedure and the interpretation of financial statements, in the outlines

of knowledge about the principles of human relations including within this some awareness of the approaches to public relations which are today becoming well-defined.

The second year's work would center more on the advanced functional specialty which the individual student has selected. Yet even here the emphasis is on the methods of attack and not on the details of operating procedure.

I still believe it is possible to shape a course for the second half of the senior year on business policy which can be something of a synthesizing factor and a unifying catalyzer in the student's thinking.

The increasing opportunities for a career of administrative work in various government services leads me to mention specifically the importance of a close correlation between the work of a business school and that of the Department of Political Science. It would seem to me that most of the general courses, including particularly the ones in business organization and the science and art of administration, should be not only available to, but should be required of, students who contemplate a career in the public service. To a considerable degree, the training for civic and for business administration may profitably pursue parallel, if not nearly identical, lines.

Our knowledge of the nature of the learning process is now sufficiently clear so that I believe we have a right to insist that out of a two-year vocational training experience a period of at least four months should be devoted by every student to carefully controlled and guided experience in field work in some going organization. But for this to be more than observation, the teacher should be able to work out with the company the kind of guided experience which assures that real learning takes place. There is a wide separation between that verbal ability, that knowledge *about* business with which we have tended to be satisfied, and that adeptness in practice and skill in the art of application which become the mark of the well-trained graduate. True learning requires that we learn to use, no less than to talk about, what we can remember. And our aims and methods must acknowledge this distinction and assure results in terms of intellectual and operational competence.

A word is next in order about the professional ideal in business education. Whatever we would like to think or hope, business is not a profession today. But it does seem to me that the requirement is upon us to assume that the conduct of business effort may increasingly move in that direction and that the

student should gain some sense of what a profession means and what a professional approach is. Actually, of course, there can only be an approximation in this direction.

Perhaps an equally if not more productive concept to try to make clear and persuasive is the thought that executives are increasingly by way of becoming responsible citizens and actual office holders in a developing constitutional, economic government. That our economic life increasingly gains the semblance of something for which the word, government, is not a misnomer, is a tenable position. And that this government will become increasingly coherent and increasingly constitutional is, I believe, an intelligible, revealing and instrumental approach. This view supplies an outlook for the student which has growing reality, social dignity and functional validity. In short, we are on the way to being more organized into units of operation and control which have aspects of constitutionalism in both their set-up and their working arrangements.

There remains to consider one problem which promises to be met under the kind of education I am outlining, even more than we may have confronted it thus far. I refer to the tension which may, and probably should, exist in the graduating student's mind between his sense of what he would like to do in any particular job setting and what he finds is expected of him by his employer. There will probably be a serious discrepancy here between his aspiration and the confronted fact. The question is to what extent there is here an irreconcilable conflict. For there is a real danger that a student will, after a short initial business exposure, feel genuinely frustrated, that he will want to resign in disgust, or that he will capitulate to present pressures and conform completely to a playing of the game within its present frame of practices.

Teachers should be aware of this potential conflict; and students should be acquainted with the possible ways of coping with it. In effect, the student should be urged to plunge with zest into any given position, to conform to current conditions, to get strongly entrenched, to learn to grasp firmly the strong and weak points of operation, to qualify for advancement to a position of influence as vigorously and rapidly as possible, *but* always with the sense that when, as and if possible, he will exert a meliorative influence on the total situation. It will take from five to twenty years for most graduates to be in a strategic position of large responsibility. But if they are carefully tutored in the strategies of how to influence others they should be

able from an early date to be a force for improvement and for a more thoroughly efficient and liberal coping with policy issues.

Our graduates should expect to be dissatisfied with what they find in the business world. They should have a sense of some new direction they may wish to take, some new standards of excellence, some new approaches to revised methods. But they should at the same time have gained a sense of proper timing, of perspective and patience, and of those educational techniques by which executive higher-ups may be gradually inoculated with different notions. If the business world is to be improved, a considerable measure of that improvement should and must come from within and the graduates of university schools of business should be the intelligent and imaginative leaders in this effort.

In summary, I do not wish to convey any mistaken sense that I think the world of business is going to be completely transformed after the war. Nevertheless there is a sense in which we shall be up against a combination of new influences, both from at home and abroad, which promise to have a fundamental effect on the total relation of business operation to the pervasive sense of our people as to what in economic effort is socially valuable. And I am personally clear that there will be a more and more dominant note in our society of assuring social sanctions for business. There will be a bigger fraction of our national production, which will go forward under controls from without and from within which mean broader and more democratic social oversight than has been true up to now.

Negatively speaking, business will be living more than ever in a goldfish bowl. But this negative view is educationally sterile. Affirmatively speaking, business promises for our students to become more fully an instrument and enterprise of public benefit. In a literal sense, business tomorrow will be more completely a service of building wealth and welfare for the generality of our people. Indeed, considerations of welfare will tomorrow not be able to stop at national boundaries or to be resolved only in terms of tariffs and preferential treatments among nations. The criterion of business success promises to be demonstrable social utility at a clearly defensible, low social cost.

This implies no formula of cure-all, no panacea, no "ism." We shall continue to be in an economy of plural patterns. Nevertheless, there is room for a great multiplicity of inventive creations in terms of

organization structure and inter-organizational relations. That inventiveness may, I recapitulate, well have to be in the direction of more competent democratic controls, a fuller reality of wider worker participation, a removal of selfish restraints upon productivity, higher standards of esthetic taste in our products, a positive and not a grudging recognition of the role of government as regulator in the public interest.

Finally, for our students from now on, business is not to be a stepping stone to selfish power. It is to be a channel for creative social contribution. It is upon this premise that we must build our studies of business

and upon this premise that teachers must orient themselves to be tutors in the conservation of the democratic public interest.

The faculties of schools of business have this basic question to answer: How, in and through the agencies of economic activity, do we aim to assure for all our people the ends of life, liberty and the pursuit of spiritual happiness?

If we will diligently seek to answer this question with integrity and disinterestedness, I have no fear as to what content and what methods we may all pursue and what quality, in terms of the character of our graduates, will be the outcome.

Reemployment Prospects and Problems (Continued from page 130)

they are planned to produce employment in the period when it is needed.

Where Business Can Help

May I throw out a suggestion of one way in which business can contribute to a feeling of security in this period? At present, business is planning in advance to meet its wartime labor requirements. I see no reason why, in the transitional period to peace, it might not be possible for a plant that is retooling to make fairly definite commitments for the hiring of an individual at some future date. They might make a commitment, for example, in February with reference to employment in April. You do such things in purchasing materials. You won't expect to get steel delivered to meet your requirements without placing an advance order.

I am afraid that it will be possible to get human beings in that period without placing advance orders, but few things that business could do would contribute more to a feeling of security than translating

an almost certain need for labor at a later date into an actual commitment to hire. We do not need to fear a certain amount of idleness. Most people who have been engaged in war production are going to welcome a reasonable period of time off. The thing that is going to be socially and politically disturbing is the fear that one is laid off for an indefinite period of time and may never get back in. We can reduce the number facing this kind of uncertainty by translating business plans for recovery into promises of jobs within a limited period of time.

I have given a very superficial sketch of that period of transition. I hope it illustrates the character of the problems that we shall face and the necessity of doing something about those problems at this time. I don't pretend to prescribe all the answers for that period. I do assure you that the history of the corresponding postwar period after the last war indicates that these problems should be faced now. If we wait, they will close in far too fast for us to take well-considered measures to meet them.

Administrative Control at a Quartermaster Depot

By SCHUYLER HOSLETT

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I. Introduction

THE Quartermaster system of supply depots may be compared roughly to a business of twenty-five regional mail-order houses, each with considerable administrative discretion, controlled by a general office in Washington. Each structure contains levels of military authority graduated according to what some have called "the fetish of rank." And beneath each level of authority are civilian employees engaged in executing the directions of the military. These civil-military organizations, controlled by War Department regulations,¹ are predominately influenced by army methods of doing things accruing from a combination of tradition, experience, training and experimentation. More recently the methods and principles of business and the business schools have had their influence.

Many of the operations of a procurement, storage and distribution depot are, in the broadest sense, routine. In the supply division (which receives requisitions from the field, acts upon them and ships the merchandise) this routine is subject to frequent emergency interruptions to expedite shipments within the space of a few hours. Thus organizational structure must be geared to a two-way tension: to processing over a hundred routine requisitions daily through a carefully planned system of control and to handling rush shipments rapidly without by-passing the usual channels of record. At the heart of these operations, at once *record-keeper* (reflecting stock on hand), *forecaster* (showing stock due in, due out, to be supplied by other depots, and other facts) and *printer* (furnishing master copies for processed shipping tickets, receiving reports and other instruments) is the electric accounting machine.

In procurement, although certain prescribed and circumscribed methods of purchase must be adhered to, there is a wider daily diversity of activity. This is due to an unpredictable variety of items to be purchased, to greater fluctuations in volume and to ever-changing problems involved in securing sources of supply and production.

Unlike a business, depot efficiency is primarily measured in service to troops rather than in profits.

¹ The term regulations is used in the broadest sense to include any kind of directive from higher authority.

But cost, one determinant of profits, is not an unimportant consideration. In achieving these objectives the Commanding Officer of a Quartermaster depot is faced with several factors not found in business. In the first place, depot management does not select its junior administrators: second lieutenants are assigned to the depot as they are graduated from officer-candidate school. These men initially undergo four weeks of training and apprenticeship. Then, after study of his qualifications and review of the abilities reported by his sponsoring officer, each lieutenant is assigned to a likely position. Due to the particular needs of the depot at the time, these positions may or may not utilize the officer's previous civilian experience.

This initial assignment of officers is only the first stage in what has come to be called "the Commanding Officer's training idea"—i.e., the rotation of all officers in depot positions with tours of duty progressively longer in relation to higher rank.² This principle of officer rotation, inaugurated by the Commanding Officer at the outset of his command in 1940, has since been required by The Quartermaster General as a means for providing a maximum number of well-trained general-duty officers.³

From this policy accrue benefits in varied experience, points of view, and training brought to bear in each position—together with certain disadvantages business does not have to contend with: chiefly the consequences in organizational efficiency and morale attending removal of experienced officers and replacement with less- or in-experienced persons. Presumably there is no way to circumvent this consequence of the officer-rotation policy, which in itself is an essential training device, but a problem-contrast to business organization is suggested.⁴

II. Downward Control

With these introductory facts in mind we proceed to a consideration of the general subject of control. In the mind of the Commanding Officer there are probably six conditions to be insured: (1) that his organiza-

² Second lieutenants generally are initially assigned for a two- or three-month period.

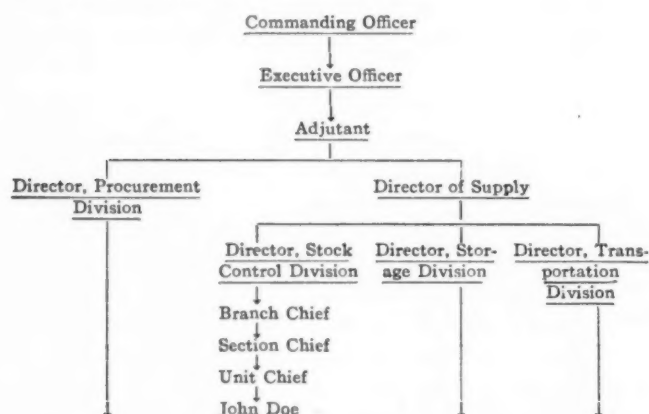
³ Correlative with this principle is that of understudying.

⁴ This is another peculiar characteristic of Quartermaster depots not found in business: the relationship of military and civilian components in the ratio of one officer to about twenty-five civilians. This condition, unless carefully handled, may at times present opportunity for dissatisfaction.

tion is a rapid-fire, efficient mechanism; (2) that his policies and methods, and those of higher authority, are enforced; (3), that they are scrutinized for workability; (4), that ideas are absorbed from the lower levels of administration; (5), that errors and deficiencies are discovered quickly and corrected before reacting against the reputation of the depot; and (6), that emergency requirements are met with a minimum of administrative friction and additional effort.

This range of control is secured through an upward and downward movement within the organization and horizontally through contacts with outside agencies.

On the vertical scale of descension the directive from the top passes through channels down to the civilian worker, whose actions it may fundamentally alter, in this manner:



If the order is orally transmitted, the chain of command may distort it in transmission. More likely, however, the order will be written by the Commanding Officer or it will consist of his spoken directive to the Executive Officer, who as his deputy, prepares a written or published memorandum. In some instances the level of supervisory personnel reached by the memorandum may be relatively high, with officers responsible for personal corrective action or for effecting changes in activities they direct. In other cases the memorandum itself may reach the clerks affected, with officers responsible for supervisory implementation.

In this manner is administrative direction initiated. The actual control may appear in spot-checks by the Commanding or Executive Officer, but more frequently it will be found in required oral or written reports, or a combination of both. Frequently, too, the Commanding Officer will call officers into his presence to obtain facts, to outline policy, to com-

mend or to reprimand. When no reports are designated the responsibility rests with the officer to whom it was delegated.

The Commanding Officer uses another control technique at the Saturday morning meetings of all officers where he outlines his policies and evaluates depot performance in an emphatic, effective manner. Constant emphasis is placed on improvement of depot efficiency with particular stress on the necessity for each officer to view his own work from the point of view of those it affects—*i.e.*, in most cases, the “customers” in the field. A portion of these same meetings is devoted to talks by officers on particular segments of their work. Since the topics are assigned by the Commanding or Executive Officer, these oral reports may be considered a type of downward control.⁵

The culminating feature of the system of downward control⁶ was initiated in the establishment of a depot control staff in March 1943. Fundamentally such a staff is additional eyes, ears, voice and mind for the Commanding Officer, functioning directly under and for him. It should aid him in executing policies and should bring significant facts or conditions from lower administrative levels to his attention.⁷ Up to this time the Kansas City staff has been concerned largely with procedural studies leading to work simplification and consequent improved personnel utilization. These surveys necessarily involve close studies of depot operations to insure efficiency of administrative movement and compliance with procedures laid down by higher authority. While thus far the staff has been a successful fact-finding and recommendation-making agency, presumably its role will become even more significant in the future.

III. Upward Control

Control permeates upward as well as downward, moving to the top of the structure through the Adjutant and Executive Officer. These officers concern themselves in part with certain fixed duties. The former writes or approves all depot publications, controls the communication systems, prepares all general correspondence not within the province of division directors, and expresses opinions on communications directed to or through the Executive Officer. The latter reviews depot regulations, memorandums, information letters and special orders prepared for publication, requests for travel, division directors'

⁵ And also upward; see section III.

⁶ *Ibid.*

⁷ This latter function is, of course, an aspect of upward control; see Section III.

recommendations for the promotion of officers, requests for new civilian personnel, and suggested changes in the physical arrangement within offices and warehouses. These mechanical reviews aid the Executive Officer in keeping his finger on the pulse of the organizational body.

More important are the Executive Officer's duties with regard to changes in depot policy or procedure originating at the divisional level. Every major change in divisional policy or procedure is referred to him for approval; any change affecting two or more divisions must also have his sanction. Obviously these general rules, designed to insure tight control, are susceptible to subjective interpretation by individual division directors. While effective, the result is some degree of variance in the kind and importance of decisions referred to the Executive Officer.

Another effective upward control mechanism for illuminating and correcting depot problems exists in the weekly staff meeting. These meetings, presided over by the Executive Officer, are attended by division directors, the Chief of the Control Staff, and any officer personnel invited by division directors. There is no pre-arranged schedule of subject matter. The purpose, rather, is to provide a meeting of minds where any problems may be discussed from several viewpoints, a decision made and the conclusions embodied in a report to the Commanding Officer. His use of the report is, of course, discretionary.

In the past these meetings have proved themselves potent with suggestions, many of which have been put into practice. For example, a staff meeting discussion regarding the division of responsibility for depot housekeeping services among several divisions resulted in the establishment of a depot service division as general housekeeper. A decentralization of files, agreed upon in staff meeting, was subsequently effected. Minor administrative matters are not excluded from discussion: such points as eliminating package passes, renting a parking lot or fixing responsibility for posting bulletins have been considered.

The portion of the Saturday morning meeting of all officers devoted to talks by its members on particular operations they perform serves a purpose somewhat akin to that of the staff meeting. These talks at "officers' call" (which are followed by question periods) are generally more expository than critical in nature, however. They do serve to disseminate useful information and furnish an opportunity for each speaker to emphasize the problems and achievements of his work unit.

In addition to numerous reports required by higher authority which are sometimes referred to top administration, the Commanding Officer requires weekly operational reports designed to reveal the difficulties, changes and achievements of each division. These reports, which in many cases present good summaries of developments at the lower levels, provide an opportunity for junior officers to pass useful information or ideas up the line. Then, too, the depot control staff, previously discussed in connection with downward control, exerts an upward influence in bringing developments on the lower levels into top management's view. Moreover, the Commanding Officer constantly emphasizes the necessity for officers to bring to him, or to his representatives, voluntary explanations of their own errors and deficiencies.

IV. Horizontal Control

While there is a human tendency not to publicize one's mistakes, if an outside agency reports a depot deficiency which was not brought to the attention of the Commanding Officer the subject officer not only loses "face" with his commander but definitely decreases his opportunities for promotion and increased responsibilities. Thus we have introduced into the discussion a third segment of control: control resulting from depot relationships with other agencies. These may be commendations and complaints received from stations served by the depot, suggestions or criticisms from higher authority and suggestions arising from inspections by representatives of the Army Service Forces, The Inspector General, The Office of The Quartermaster General, and the Service Command.

Another control in this category is that furnished through the review of incoming and outgoing correspondence in the administrative division.⁸ Incoming correspondence is reviewed by a warrant officer and two civilian employees who fix a date by which the division concerned must prepare a reply and who separate those letters obviously not routine or which concern more than one division. These are initially referred to the Adjutant and at his discretion to the Executive Officer through the depot Chief Clerk.⁹ The Adjutant or Chief Clerk will take action on lesser matters, the latter collecting facts pertaining to the more important communications as an aid to the

⁸ This subject might have been considered under sections II and III since it is an upward and downward control within the organization as well as a horizontal relationship with outside agencies.

⁹ All incoming telegrams and teletypes also pass through the Adjutant's office, from whence selected documents are referred up the line of authority

Executive Officer in taking intelligent action. In turn, the Executive Officer will direct the most significant letters to the Commanding Officer.

All outgoing correspondence is subject to a similar review.¹⁰ Moreover, the suspense system set up in connection with incoming correspondence insures reply within a reasonable time. A similar system is used to insure the timely completion of required reports to higher headquarters. Finally, certain types of letters will have been prepared in the divisions for the signature of the Executive or Commanding Officer. These are generally letters on matters of policy to a higher headquarters, answers to complaints going to a higher headquarters, non-routine letters requiring the Executive Officer's signature for weight of authority, letters importantly affecting public relations and correspondence which the Executive or Commanding Officer has directed to be prepared for his signature.

In this manner administrative relationships with other agencies are closely scrutinized. While the efficacy of review is largely dependent upon the acute perspicacity of the reader, obviously the presence of the human element precludes complete control.

V. Control at the Divisional Level

At the lower or divisional level, control is exercised in much the same manner as at the top; generally speaking the significant differences lie in the smaller areas affected and the consequent opportunity for increased personal supervision. At this level the element of personal spot-check, especially in the storage division where physical operations predominate, is stronger. The divisions under the Director of Supply also participate in weekly staff meetings for super-

visory officer and civilian personnel where work functions of individual units are discussed and inter-relationships with other units explored. Problems brought to light within and between units may be settled on the spot by decision of the Director of Supply. Finally, divisional training classes for civilian employees offer an opportunity for uncovering deficiencies and appraising achievements, though in a lesser degree.

In conclusion, a rather obvious fact requires emphasis, *i.e.*, a proposal moving upward in divisional channels of communication may have to hurdle section, branch and division chiefs (and in Supply the Director of Supply) for approval. If major, it will proceed to the Executive or Commanding Officer. Thus the proposal, providing it was not rejected along the line, may be considerably changed in its final form due to the action of higher authority. In effecting these changes, which should reflect wider experience and more mature judgment, the author of the proposal is usually consulted or advised to forestall any misunderstanding on his part.

Indeed, all the inherent advantages of a highly developed control system may be dissipated if the human element in it is not recognized and treated as such. In other words, while the mechanics of organizational control may furnish a splendid pattern for effective action, they are only so much machinery unless implemented with the qualities of heart and mind which mark the able administrator. It is essential, therefore, to man the chain of command with officers of wide knowledge, with ability to evaluate the salient facts of specific situations, and who practice modern business principles of human relationships. At Kansas City the attempt has been to correlate this kind of leadership and the mechanism of control in an effective whole.

¹⁰ Outgoing telegrams and teletypes are reviewed by a civilian and if unusual are brought to the attention of the Adjutant.

Objectives and Methods in Management Education

(Continued from page 132)

for those wishing to go beyond a cultural course, is an important limiting factor. That may well be, but I still believe that in the interest of the future of the country, it would be better to sacrifice the few who cannot afford to go on into specialization, than to prepare people for the kind of a world that no longer exists. Regardless of what I may think, or what the members of the panel discussion may think, you as educators will have to face this problem quite squarely. That you will have to make changes in policy and method from those that have prevailed until now, has

probably long been clear to you. Whether you make these changes along the lines discussed today, again is not terribly important, because if you don't make them along these lines, and you prove to be wrong in your failure to do so, you will then correct the mistake. In other words, there will doubtless be some continuation of the necessary trial and error techniques. My hope would be that they be eliminated in favor of a more certain and more confident scientific method, as rapidly as they have already been eliminated in the field of physical research.

Time Study Applied to Cost Control

By PHIL CARROLL, JR.

Eastern Regional Vice-President, The Society for the Advancement of Management;
Author of *Time Study for Cost Control*, *Time Study Fundamentals for Foremen*

IT is refreshing to discover that some people are interested in controlling costs. It began to look as though no one was taking much interest in cost. Certainly, the time will come when we will have to concern ourselves with cost because some day industries will again be competing with each other. But what is more important perhaps is that after the war we will have to compete with other nations to whose industries we have supplied the money, equipment, and technology to set up in high gear.

In competition, most of us recognize that time study can play an exceedingly important part. Most of us automatically think of time study when the subject of wage incentive is mentioned. All of us are aware of the frequency with which "incentive" is mentioned today. But using time study for simple incentive only is like having a Cadillac automobile with no more gasoline to run it than is allowed by an "A" ration.

Cost Control

Time study is important and necessary to the successful operation of good wage incentive. The point is, however, that the facts and results obtained from time study effort can be made also to do a much greater and important job. The facts and measurements obtained can be beneficially applied to cost control in almost all of its extensions.

Webster defines control as "To exercise restraining or directing influence over—to regulate." The definition we hear every day is "To keep our fingers on." To keep in touch with what is going on requires that someone make comparisons with standards of some kind. Comparisons of this sort are measurements. The measurements involve comparisons of the variations from standard with the standards themselves to ascertain volumetric or percentage change.

Reduction and Control

My interpretation of cost control goes a step further. The reason is that successful control must consider a level of performance. In other words, we cannot stay in business at high costs. It seems apparent then, that the term cost control implies also the meaning of pro-

gressive reductions in cost as well as the maintenance of those gains.

Here is where time study enters with its important contributions. Time study with good wage incentive operation brings about one of the first and foundational parts of cost control, namely, performance measurement. Good time study analyses also act as sieves which separate into proper classifications many of the cost facts necessary to cost control. Proper time study measurements, with or without incentive, supply factual standards for comparison. Lastly, but not the least important, time study standards with incentive performances supply the conversion times required in the manufacturing processes.

Performance Measurement

The effectiveness with which we work is a basic factor in success. The degree to which performance approaches ideal determines very largely the success of the effort, whether individual or industrial. It is here that time study begins its effectiveness through the use of the time observations for the establishment of incentive standards.

The beneficial effects of time study with incentive in many phases of cost reduction are well known. However, the benefits in the field of control are not nearly so well understood. The control arises primarily through the lessening of the variations in cost. This advantage might be more clearly understood by contrasting performances under day work with those obtained on incentive. Without the benefit of incentive, output performance may vary from a low of 20 per cent to a high of perhaps 100 per cent of a normal day's work. On incentive, however, individuals usually attempt to surpass the standards established. Also, performances above standard are usually compensated for in full value. The result is that, in general, labor costs are practically constant with good incentive operations. The variations occurring in the main are those which result from delay time, re-work and the assignment of skilled people to lower-grade jobs.

There is another important factor resulting from the higher earnings which incentive workers strive to maintain. The incentive earnings are as definitely a

part of a higher standard of living as is a raise in salary. As a result, performances become stabilized within fairly close limits so that the whole structure of a business can be geared to a practically uniform rate of production output.

Extent of Measurement

Of course, high earnings make for better morale and a more stable group of employees, provided other conditions are acceptable. It follows then that one of the most important jobs of the time study man is to furnish the maximum opportunity during which incentive earnings can be attained. To attain the maximum benefits of high earnings and controlled costs, the time study man must strive for total coverage by time study and incentive. This applies to indirect labor as well as to that which we call direct. Naturally, to approach the maximum coverage for direct and indirect, one must consider the most economical methods of good measurement.

Cost of Time Study

At the same time, considering the main theme of cost control, it is necessary to keep an eye on the cost of time study itself. In that connection, the cheapest total coverage, as well as the most consistent, can be obtained by the method known as standard data. It is pretty generally understood that the standard data method gains its consistency and economy by using over and over again a relatively smaller number of completely detailed and properly analyzed time studies.

The standard data method is almost necessary for the proper measurement of indirect labor. This particular phase of time study is becoming increasingly important, if one may judge from the frequent references made to it in the newspapers. The references have to do with rewarding people engaged in such work as setup, inspection, maintenance, tool-room, and similar work. Work of this kind, especially the non-repetitive type, cannot be measured successfully by direct time study. That statement hinges upon the fact that good incentive practice requires that the time standards be made available when the job starts. For non-repetitive jobs, this can be done only by predetermining the standard time, preferably from recorded standard data. This surge of interest in incentive for indirect labor is important technically because it may force many who call themselves time study men to adopt the more efficient method for increasing

their own output per hour, as well as turning out standard times which are greatly improved from the standpoint of fairness and consistency of work requirement.

Incentive for Indirect Labor

At the same time, we cannot think of cost control as such and go along with the plant-wide incentive plan advocated in some quarters. There is no argument about indirect labor's right to incentive. If we believe in incentive as a basic principle, then there can be no exceptions to the rule. Nevertheless, the point is that the plant-wide incentive plan advocated provides neither control nor cost reduction. It has all the appearances of a subterfuge to increase wages.

Paying a bonus to indirect labor which is equal to the percentage earned by the producers served is a "quickie" but no solution. Moreover, it is not a new device. It has been used for years to maintain a differential between machine operators and setup men, for example. But neither control nor incentive exists in such setups as is borne out by the fact that frequently the setup men do not give good service. Besides, they become as tired of working as you and I with the result that the number of setup men per producer continues to increase. Of course, by the formula, all of the original setup men plus all of the new ones have the percentage earned by the producers added to their wages.

On this score, we cannot object to a plan approved by the War Labor Board for paying bonus to crane men. The point here is that it would be difficult for additional crane operators to get into the crane cabs without getting in the way of those already working. A contrasting illustration is taken from *The Reader's Digest*, March 1943, an article entitled "'Feather-bedding' Hampers the War Effort." You would profit from reading this article which includes the following two paragraphs.

When the revolutionary Diesel electric locomotives were developed, their fast, smooth power was recognized to be ideal for passenger trains. The larger models were built with power units, all of which were controlled by a small lever in the forward cab, very much as one motorman runs a subway train.

A year or so ago the engineer's and fireman's union served notice on the country's most important railroad that an assistant engineer and a fireman must be employed for each unit of the Diesel locomotive. On a four-unit locomotive, this would mean a 10-man crew, including the electrician some railroads are now using. Each of the crew would have little to do but ride. When the railroads refused to employ the extra men, the brotherhood appealed.

The important point here is that the degree of control hinges directly upon the degree to which measurement approaches total coverage.

Training Costs

Going back to the subject of performance, there is another element of cost control which is exceedingly important at this time. This has to do with the training of new people. Much has been said about selection, induction and training, but one hears very little about measuring the results. On the other hand, we frequently hear objections to measuring the performance of newcomers by incentive standards. Now or at any time, performance against time study standards measures the progress of the learner. By watching the rate of improvement, it is possible to see if the new employe is making normal progress. If not, it may be that the trainee is improperly placed in his job or that the instructions given have not been adequate. At any rate, this important method of measurement would not only save many mistakes in placement, but also would bring about a better control of training and instruction costs.

Time studies can be made to fill another important part of a training program. When properly made, they contain complete element descriptions written in the proper sequence. This information has been used extensively in some plants in the training of new employes in correct methods. It can play an important part of cost control in avoiding the retraining of people who have been allowed to stumble into the methods they use in performing work operations.

Measuring Variables

Perhaps the next most important application of time study to cost control bears directly on that well-known principle stated as "management by exception." We run into it every day in our work and see it referred to in the trade literature. Our contacts with it bring on negative reactions. We see the principle at work when we say, "The boss never tells you when you do a good job. All he does is criticize when things go wrong."

Management by the exception principle means that there is little work to be done when costs are in line. Conversely, everybody should get busy when costs are rising. We've all seen exceptions to the rule where nothing is said regardless, but this discussion has to do with the "exercising a directing influence over." Naturally, management cannot exercise control if the

facts are not made available. That is where we reiterate the importance of good time study work.

Correctly-taken time studies separate the variations from normal working conditions. Good wage incentive standards do not include these variations. They must be allowed when occurring, however, for the protection of the producer. Allowances must be made for delays, indirect labor done by the producer, and variations in the work requirements in the operations themselves. As such allowances are required, they show up as variations which increase the cost. Right here is one of the large sources for cost reduction and the control of costs. Frequent experiences in helping to change from day work to incentive have shown that uncontrolled delays were in excess of 10 per cent. Indirect labor performed by the producers has amounted to 20 per cent of their total time under the same uncontrolled conditions.

The extent of variations from normal working conditions cannot be stated as a percentage because it fluctuates too widely according to circumstances. Such wastes arise from faulty material, excess stocks, extra work, faulty workmanship, and other types of unnecessary effort. The costs of such elements of work would be zero only in the perfect shop. Nevertheless, the point is that these excesses show up with good, analytical time study measurement.

Wasted efforts, unlike the elements of wasted work mentioned, are being overcome in many instances by good motion study work. Motion study as a technique is an excellent endeavor. However, some of the less skilled practitioners overlook the fact that without time study, there is no measure of accomplishment, no control of the operation and no incentive to make it effective. Too many self-styled experts in motion study not only refuse to learn time study, but deliberately refrain from recognizing the importance of incentive first, in securing the full effectiveness of their efforts, and second, in maintaining these accomplishments.

Control of Variables

When time study with good incentive is used, management has available to it a separation and a measurement of variations in working conditions. From the standpoint of our theme, this brings about two important results.

1. Discloses the presence and amount of excess costs.
2. Permits the comparison of the excess with the cost to reduce or eliminate.

From the standpoint of cost control, the latter is constructive. It has an important effect upon the total unit cost. To recognize fully the importance of this element of control, we must do a bit of self-criticizing.

Most of us who work diligently at time and motion study push hard to get our own pet ideas accepted. Others do too, because it is a natural impulse. Herbert Moore, in his book entitled *Psychology for Business and Industry* on page 299 lists as third in importance of the things we want in our job the "opportunity to use your ideas." However, some of these ideas are very costly. The reason is that many of those engaged in time and motion study are young and inexperienced men. They, like us, are inclined to look at the improvement imagined from only one point of view. In contrast, we must look at the total unit costs. In this, time study facts help greatly in deciding the economy of an improvement. By comparing the dollars and cents cost of doing the operation both ways, certain mistakes will be avoided. Then, the total unit cost will not rise because we have saved the overhead expense of excessive tools and equipment.

An illustration may serve to emphasize the point. In one plant some time ago the best available judgment pointed to the purchase of an automatic machine for pickling sheet steel parts. When installed, this machine worked effectively and was operated by two men. Later on, detailed time studies revealed that one man working without the machine could turn out more production than two men could with the \$5,000 pickling machine.

Job Comparison

We need to carry the self-criticism a little further if we are to gain the most from time study applied to cost control. We must get away from doing so much time and motion study thinking in terms of the individual job. Solving *one* at a *time* gets no place in cost control. No appreciable progress is made because the degree of perfection sought forces us to improve upon improvements. Consequently we do not get on with the job of complete measurement. This habit of perfecting one job at a time was built up in the high production industries. We should remember that at the last census most of our manufacturing plants were relatively small in size. Ninety-one per cent of all plants reported had fewer than 500 employees each. Under such circumstances, it is necessary to adopt methods which are suitable to total measurement with

emphasis on ways of handling non-repetitive work. This needs emphasis because, unless coverage is practically complete, another advantage of time study in cost control is lost.

The advantage referred to is that of job comparison. Importance lies in the fact that rarely do two operators or two plants work exactly alike. Here we inject another form of standard data thinking by calling attention to the benefits to be derived by the parallel analysis of operations. For example, analyze what takes place in some of the larger corporations. In those companies, the same product is made in several plants. Jumping to conclusions, one would say that the plant having the lowest cost had the best methods. Such is not the case. Each of the plants has some portions of its total methods which are better than those used in the low-cost plant. Obviously, the cheapest total cost is obtained when all of the plants adopt the best practices used in each of the plants.

Carrying this thought a step further, it should be pointed out that job analysis is an important part of good job evaluation. My personal belief is that well-trained time study men are particularly well fitted to assist in making correct job evaluations.

Total Output Measurement

Much emphasis has been laid upon the value of direct measurement and incentive. Obviously, there is a limit to the practicality of this method. Even so, some time study men and some companies have progressed so far beyond the conception of practicality held by others, that one should not reach conclusions hastily. Some conclude that it is not practical to measure certain operations that are studied and placed on incentive by others with ease and economy. However, the point is that time study measurements are much more useful for comparative purposes when the measure of productive operations is fairly complete.

A measurement of the standard time value of production supplies a common denominator against which to measure budgets of all other expenses. This summary of total production is a true measure of output. A true common denominator is very important in budgeting, overhead allocation, pricing, and control.

The absence of a common denominator is another of the weaknesses in the plant-wide incentive plan being talked about so much nowadays. This weakness is pointed out in a letter addressed to the Editor of the *New York Times* published on September 5, 1943. The difficulty involved is explained in the following:

The WPB recently undertook to compare plane production by using pounds of planes produced. But there is no fixed relationship between the weight of a plane and the work involved. Pound for pound, fighters demand far more labor than transports, for example. And even if there should be an airplane plant making only one standard type of plane, there are continuous improvements in design and method of manufacture, which, everything else being equal, will result in increased output per man hour aside from any improvements in the performance of the individual worker.

Common Denominator

It is obvious that when more than one type of product is turned out, some universally applicable measure is required before a total can be computed. Most measures break down because they differ from one product to the next. This is not true of standard time per piece. The time study standards used for wage incentive purposes furnish the one way in which to measure a total of work done. Such a denominator of output is maintained as a correct measure of work done through innumerable improvements in methods and process.

However, attention is called to the fact that a true standard time measure of production cannot include irregularities such as extra work, indirect labor, and non-productive elements. The measurement of output must consist only of productive efforts. In this connection it can be pointed out that it is practical and recommended that some work now called non-productive would be more properly classified as productive. This may be explained by saying that a broader definition of productive labor might read as "That which happens with regularity to the piece."

Under that definition, it is correct to include certain operations of inspection, packing, painting, casting cleaning, and similar work that can be measured in standard time per piece. Transferring such direct operations from overhead to productive labor, permits of much better control. It reduces the amount of overhead to be spread over direct labor and hence permits the computation of more correct product costs. By making the denominator larger and the overhead part of the fraction smaller, the errors commonly made in overhead calculation are correspondingly reduced.

Expense Control

With a proper denominator that truly measures productive labor, it is possible to get quite reliable and practical budgets for cost control. Of course, budgets are more nearly correct when that labor which

is involved can be measured directly for use with incentive. However, time study is still of important use when direct incentives cannot be economically applied, because under those circumstances time study surveys can be made to determine the extent of waste time.

The results in both cases can then be related to the standard time measure of production as the index of volume of business. Then, it is recommended that incentive be established for reductions in cost. As these incentives become more effective, the expenses are better controlled.

Budgets established on rough measurement such as tons are not satisfactory. As the quotation pointed out, there are two great differences between the effort put into the conversion of the several types of tons added together. Then also budgets cannot be related directly in proportion to volume. Anyone who takes the trouble to plot curves of expenses related to volume will discover an inherent constant expense of considerable proportion. Those who established budgets in years past without the formality of plotting results have found that allowances of so much per ton or dollar of direct labor are now making exorbitant allowances for operating expenses. That has happened because the volumes today are greatly in excess of any contemplated at the time the straight proportional allowances were established.

Most of the waste time should be eliminated from budgets before incentive is established for reductions in expense allowances. Otherwise the result will be much the same as can be expected in plant-wide incentive plans where premiums contemplated will be paid more for the elimination of inefficiencies than for increases in output.

Total Unit Cost

Despite all of the emphasis heretofore placed on time study and direct incentive, it is important to mention that many other items of cost besides labor are affected. We must not lose sight of the fact that manufacturing is a conversion operation. By that is meant industries are engaged in converting materials to suit the needs of customers.

The time of conversion is measured by time study standards. This time measurement is the equivalent to rent. Rent is something we all understand. Rent is a simple way of expressing the overhead cost charged for the use of plant facilities.

Time study is particularly effective in shortening process time and helps in lowering the rent. This is

accomplished by increasing production per hour which eventually results in even more production from the same plant or the same production from a smaller plant. The effect of time study in this part of cost control is very important if the plant we have in mind is anywhere near the average. The average plant investment per productive worker is \$10,000 according to Carl Snyder, author of *Capitalism the Creator*. From that standpoint, it is obvious that time saved in the process cycle has a material effect upon total cost.

Planning is another important by-product of time study and good incentive. Planning lowers waste time which again reduces the process cycles. It follows that the output per dollar of invested capital is increased. This in turn speeds up the rate of turnover of inventory.

When speaking of rapid turnover, we should think of the speed with which the garment manufacturers work. From all appearances, they buy a few bolts of cloth, cut up and sew the garments and deliver them to the department stores where they collect the cash with which to pay for the purchases in time to take advantage also of the "2%-10 days."

In still another field, time study has an important effect upon cost control because it helps to force the standardization of design. In turn, this results in lowered engineering costs, reduced inventory and obsolescence, and stock-keepings. Also time study tends to bring about better tooling, equipment and similar manufacturing facilities. Moreover, when good time study practices are followed, total costs are further reduced by economically sound transfers of work from hand labor to machine performance.

Better Operations

Thus far we have touched on labor measurement, overhead control and better processing. But another point in discussing conversion costs is the necessity for making a profit. Profit, as we know it, is the difference between cost and selling price. Unfortunately, however, both costs and selling prices are usually summarized figures, and, in many manufacturing concerns, the true costs of production and marketing are not known.

Time study standards are of great help in supplying the labor part for standard costs. Also, they are useful in standardizing wage rates. With incentive, standard times are helpful in controlling processing variables

involving wasted work and through routing and planning in the control of waste time.

But overhead remains the big variable. Mention has been made of partial control by measuring indirect labor, partial correction by shifting certain indirect to productive labor and the budgeting of that part which is not measured. When all this is done, there remains much of an intangible type. Here is where correct analysis is needed for the proper allocation of overhead costs.

An engineering study is necessary in order to determine properly the correct allocation of overhead costs to products. Only then is it possible to learn what is the right cost. With more facts, a more intelligible control can be exerted over the segments of the business which make up the total volume. Here, the profits are modified by proper pricing as one course of action or by selective selling as the other.

Time study standards come in again in the control of profit when they are used for measuring labor inventory. The standard times represent Labor-Work in Process. The work completed adds to Inventory. As it is shipped, it subtracts from the work-in-process inventory. The common denominator method for measuring production output permits the sub-division of the business done into types. As a result, it is convenient to compare by types of business the cost of products turned out with the sales income for those products. The obvious benefit is the correct segregation and comparison of profit by types of business. Such measures lead to further constructive actions by managements that tend toward improving profits.

Measurement versus Incentive

Recently, one executive asked, "Should we perfect the job before we take the time study?" The attempt was made to answer the question, but another man took up the discussion. He said, "It seems to me that when we have to estimate a new job, it should be worked over by engineering and tool design with time study to furnish from standard data the times for all methods considered. In this way, the best combination of thinking should result. Then the tools, methods and time standards are determined for quotation purposes, and when we get the order, everything is already set up to go ahead." That is to me one of the best explanations in brief of how time study can be applied to cost control.

REVIEWS

Personnel Management and Industrial Relations. By Dale Yoder, Prentice-Hall, Inc., New York, 1942, pages xxii, 848. (\$4.25.)

Reviewed by J. E. WALTERS, Consultant, McKinsey & Co., New York.

Dale Yoder's *Personnel Management and Industrial Relations* is a good portrayal of accepted practice in personnel and industrial relations. It is a book which a large corporation could select to send as a guide and reference to the personnel managers of its various plants, as I have done. It could likewise be used as a textbook on this subject for college students, the previous edition having been tested as standard by use in universities.

Although it may seem to be adapted more to the large company, the principles should apply to the small concern as the book mentions. The combination of such varied subjects as the business management of personnel and industrial relations, economics and statistics is presented in an orderly fashion.

Emphasis is well placed on the use of statistics as it pertains to personnel and labor relations. It may seem to be stressed too much to the practical personnel officer, but perhaps he should know more about the statistical tools which are becoming so important, especially in such techniques as employment testing, ratings and morale surveys.

This text covers the usual personnel and industrial relations subjects: job analysis, recruitment, selection, training, industrial unrest, hours, service rating, wage plans and policies, health, interest and morale, employment and unemployment, collective bargaining, personnel services, personnel records and research. The emphasis upon the use of statistical techniques is a particular contribution of this book, as is the wise blending of economics, business management and statistics.

Perhaps more emphasis should have been placed upon the need for ethical standards or guiding goals for which the statistical tools should be used. Professor Yoder has given us a good book, not only for the student of this subject, but also for young and old in the field. Personnel officers and their assistants should have and read this book.

Business Procedures. By Perry R. Taylor, Joint Committee of the Twentieth Century Fund and the Good Will Fund; and Medical Administration Service, Inc., New York, 1941, pages 109. (\$25.)

How to Organize Group Health Plans. By Martin W. Brown, Katharine G. Clark, Perry R. Taylor, Joint Committee of the Twentieth Century Fund and the Good Will Fund, New York, 1942, pages 72. (\$25.)

Organization and Administration of Group Medical Practice. By Dean A. Clark and Katharine G. Clark, Joint Committee of the Twentieth Century Fund and the Good Will Fund; and Medical Administration Service, Inc., New York, 1941, pages 109. (\$25.)

Prepayment Plans for Medical Care. By Franz Goldmann, Joint Committee of the Twentieth Century Fund and the Good Will Fund, New York, 1942, pages 60. (\$25.)

Reviewed by KINGSLEY ROBERTS, Director, Medical Administration Service, Inc., New York.

Managers of war industries, faced with a growing shortage of labor, are giving serious consideration to methods for assuring positive health, to salvage some of the 400,000,000 production days lost annually because of sick absenteeism. Their problem is complicated by the withdrawal of physicians from civilian practice to the armed forces, at a time when the increased tempo and tension of industrial work promise to cause a greater incidence of illness among workers.

The four pamphlets in this series suggest a solution to these problems which will reduce the incidence and severity of non-industrial illness, bring the cost of medical care within reach of all industrial employes and increase the effectiveness of available medical personnel. The pamphlets present a sane, sober and sincere consideration of the theory of Group Health Plans, their organization and management and an impartial account of experience with their operation. The major fault with the series is that there is no evaluation of these experiments in terms of professional efficiency. The reason for it is that the data for a scientific article on the subject simply is not available. The experiments which are analyzed in these reports have proved efficient and must be extended before the full use of group health plans can be demonstrated.

The outlines of organization may, at first glance, appear as fantastic as the blueprints for modern implements of war, but their operation has been proved as efficient. Here is a suggestion which is worth consideration by any executive who is concerned with the health and fitness of production forces.

Timestudy for Cost Control. (Second Edition.) By Phil Carroll, Jr., McGraw-Hill Book Company, New York and London, 1943, pages xvii, 301. (\$3.00.)

Reviewed by RALPH PRESGRAVE, Vice President, J. D. Woods & Gordon, Limited, Toronto.

Authors of books on time study fall roughly into three groups—the academicians, the technicians and the consultants. These groups are not always separable and the distinction may be more one of point of view than of vocation. Even so, the experience of a seasoned and successful consultant places him in a preferred position in intimate and real knowledge of the methods and uses of time study. The academician may be objective but, by the same token, he may also suffer from a certain remoteness. The technician, usually the employe of a corporation, tends to be confined in viewpoint and range, although excellent in the details of method. As against these, the consultant, if he amounts to anything, will have had a varied and realistic experience, not only in the technique of time study but, what is more important, in its application.

A consultant of Mr. Carroll's standing must have had to deliver the goods to his clients. It is, then, not unreasonable to expect him to deliver the goods to his readers. That he has fulfilled this expectation well is borne out by the fact that this second edition has followed quickly on the heels of the first. The printing of a second edition is justified by the timely addition of two chapters dealing with "Effort Rating." These, with other changes that strengthen the text, deal in a practical manner with an important part of time study of much current interest. They round out the book admirably, being of a piece with the rest. That is to say, they present sound technique in a setting of shrewd observation and sage advice.

Mr. Carroll has not fallen into the error of presenting bits and pieces of various methods for the reader to choose from, but has given a complete picture of a specific method. In some cases this might give rise to a biased presentation, but in this case the suggested procedure appears essentially balanced and sound.

The case for Standard Data as a basis for "synthetic" standards is well presented and is accompanied by excellent charts. This is, perhaps, the most useful part of the book from a technical point of view, but it should not be permitted to overshadow the sound nontechnical information in other chapters. This reviewer has often expressed the opinion that the first edition was the best all-round book available on the subject. He has no hesitation in repeating this opinion in connection with the second edition. It should be in the library of every time study man.

Industrial Relations Handbook. Edited by John Cameron Aspley and Eugene Whitmore, The Dartnell Corporation, 1943, pages 1055. (\$4.50.)

Reviewed by HERMAN FELDMAN, *Professor of Industrial Relations, The Amos Tuck School of Business Administration, Dartmouth College.*

This is a sort of encyclopedia containing forty-five main chapters on subjects in the field of labor relations. The editors state that most of the material presented is new and represents hundreds of interviews by members of the Dartnell staff with executives of various companies. Acknowledgment is made to some two score individuals and to the previous publications of similar character published by The Dartnell Corporation.

There is no question that there is much helpful information in this book on the various aspects of industrial relations. It is full of concrete material illustrating good principle and practice, presented in readable form. Much current material from one source or another is cited. The result is a comprehensive text-book which makes a good reference work on the practice of personnel management, with some attention to the problems of labor management.

On the other hand, there are many pages of excessive information. For example, who needs fourteen pages of lists of employe magazines? Why is a list of principal radio stations included here or the circulation and rates of daily newspapers? Ephemeral data like that of the dozen pages on cost of living statistics up to November 1942 is, for practical purposes, a waste of paper. With some deletion the book could have been less expensive and therefore available for wider circulation.

Industrial Supervision. By Lewis A. Roman and Scott B. Mason, The Foundation Press, Inc., 1942, pages xi, 341. (\$2.50)

Reviewed by HERMAN FELDMAN, *Professor of Industrial Relations, Amos Tuck School of Business Administration, Dartmouth College.*

Many individuals have recently been listed to foremanship and other supervisory positions who are new to such responsibilities and many who have long been in such positions have been beset by new problems. Various books and pamphlets have appeared to aid such individuals out of their difficulties into leadership and practical effectiveness. The present book has been written by a college dean with industrial and economic background and an experienced business man, so that the two authors have balanced each other to produce the required material and they have produced a meaty, wise and comprehensive text.

The twenty-one chapters cover the fundamentals of a foreman's or industrial supervisor's obligations, with emphasis on the human qualities required to induce morale and to maintain high discipline. This stress is not at the expense of the basic principles and practice of industrial administration, such as care of materials and equipment, quality control, production planning, budgets, safety costs and estimates, job analysis and working shifts. Excellent precepts upon time study and incentive systems, personnel management, relations with the union and alertness to future developments are given.

The book is well-planned, smoothly written, well-titled and well adapted to teaching—and the reviewer is certainly adopting it as the text for his college classes in this field.

Accountant's Handbook. (Third Edition). By W. A. Paton, The Ronald Press Company, 1943, pages xi, 1505. (\$7.50)

Reviewed by LYLE H. OLSON, *The American Appraisal Company.*

The third edition of this Accountants Handbook is a broad and inclusive contribution on the compilation and application of accounting records, including changes and "development in the field of accounting in the past ten years, incorporates improvements in assignments that have been indicated by experience in the hands of thousands of individuals and business and professional organizations."

As the editor states in the preface—"This is a reference work designed for public and private accountants, controllers, government accountants, executives, attorneys, engineers and all others who deal with accounts and accounting reports."

An indication of the breadth of the coverage is indicated by the titles of the twenty-six sections, the forty-two page index, and the number and reputations of the eighty-nine Contributing and Consulting Editors from government officials, lawyers, professors, twenty-four partners or members of seventeen leading firms of public accountants, and comptrollers or other executives from sixteen leading industrial corporations and an appraisal organization.

Nineteen of these sections have to deal more directly with accounting records under such distributions as Financial State-

ments, Income, Sales, Production Costs, Distribution Costs, Cash, Receivables, Liabilities, Capital Surplus and Budgeting and Accounting Procedures. Seven sections on assets, Investment, Inventories, Land and Wasting Assets, Buildings and Equipment, Intangibles and on economics, Depreciation and Plant Appraisals supplement the accounting technique with economic discussions of analysis and application of investments, values and depreciation to the different problems confronting management in property control, retirements and replacements, financing, income taxes, regulation and government contracts. It offers such advice to management as—

"In appraising the land holdings of commercial and industrial concerns, care is needed . . . in making use of the income tax approach . . . to avoid confusion of land values and intangibles . . . periodic reports are desirable on unproductive land for which no use is planned (this) should generally be disposed of as soon as possible."

"Many managements feel that the depreciation policy should be highly elastic, readily adaptable to the fiscal exigencies of the situation" but that "as a matter of fact, there is nothing at all imaginary about depreciation, . . . at bottom it is just as much out-of-pocket cost as any other."

Discussing the relation of depreciation and maintenance, it observes "the problem of determining promptly the occasion on which to replace old units with new has long been recognized as an outstanding question of business management."

The Accountants Handbook covers a broad field, quotes many authorities and presents much informative information. It cannot cover the details that specialists may desire but for business management it presents a well indexed and classified coverage of informative accounting, valuation and economic data.

Make or Buy. By James W. Culliton, Harvard University, Boston, Mass., 1942, pages iv, 130. (\$1.50.)

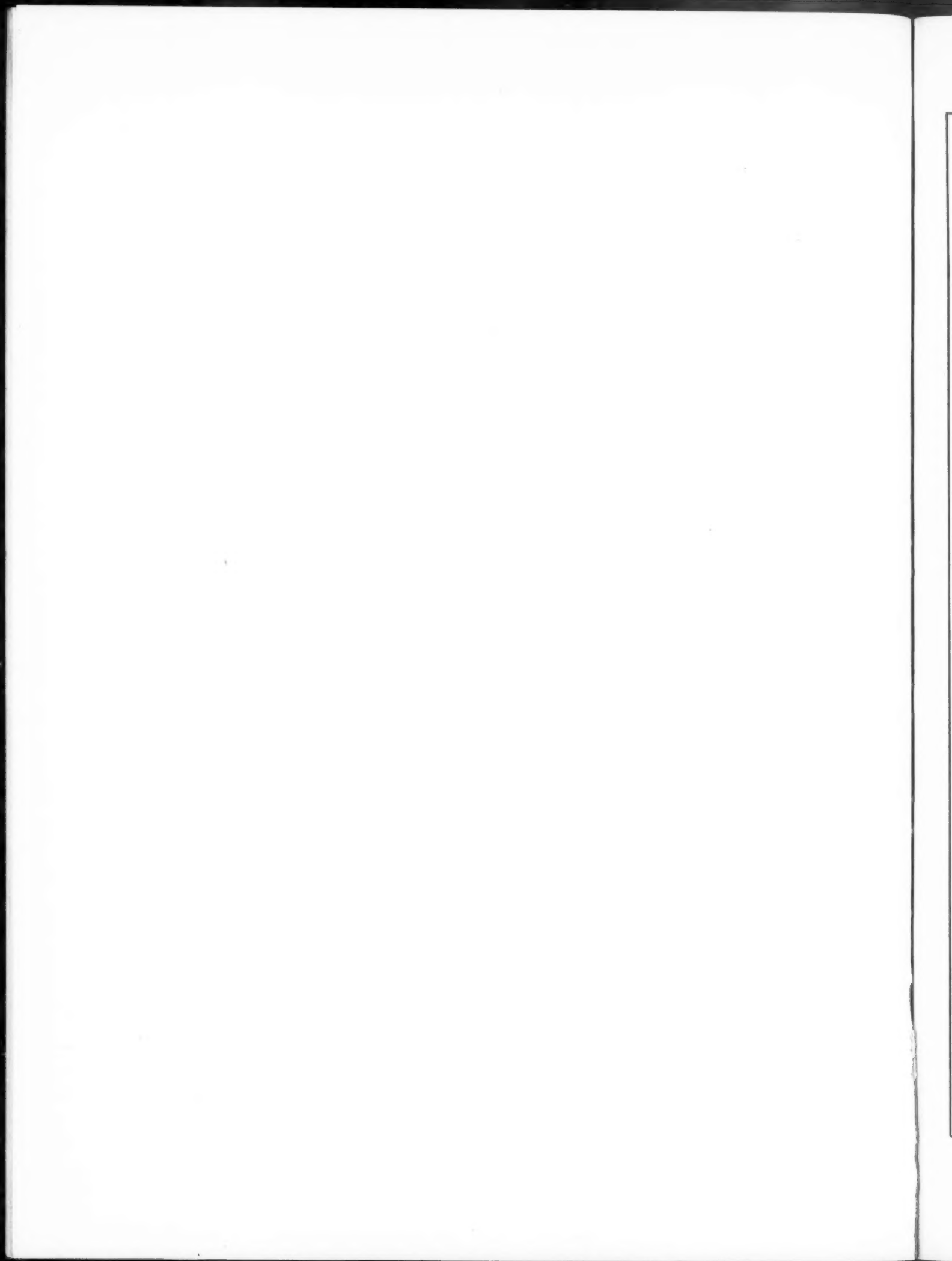
Reviewed by L. B. KEELER, Production Manager, Wayne Division, Bendix Aviation Corporation.

In the opening paragraph the author states that "This thesis considers in detail the business problems faced by manufacturing organizations when deciding whether to make or buy the things they need." In a further statement we are informed that the arguments of the treatise are based in part upon information received in interviews with business executives of companies engaged in manufacturing activities in New England, New York and Pennsylvania during 1939 and 1940.

Since the principles involved are of a fundamental nature, no attempt was made to provide for special conditions arising out of the War production.

Chapter one is titled, "The Problems of Make or Buy"; this in general outlines the scope of the thesis, the plan being to deal with all industrial goods except installations and primary materials, classified as: (1) accessory equipment, (2) operating supplies, (3) fabricating parts, (4) fabricating materials, (5) process materials. Chapters two and three, "Some notes on Cost," and "Calculating the Cost," take up cost as it relates to the subject devoting several pages to discussing methods frequently used in arriving at the figures to be used for comparison in judging make or buy problems. Chapters four and five are related in that they deal with "Quality" and "Quantity." Attention is directed to the need for a systematic means of comparing quality needed for specific requirements and at the same time give due consideration to quantity needed for a particular period. Chapter six, "Cost in Relation to the Business as a Whole," covers the broad concepts of cost. Chapter seven deals with "External Conditions Affecting Make or Buy Decisions." Chapter eight, "Miscellany," takes up several topics which seem to warrant some consideration but do not fall in the main division of the subject. Chapter nine, "Generalizations," summarizes, suggesting a step-by-step procedure.

Unfortunately, the author has not approached the problem in the same manner as we in industry would. Therefore, the business reader may find much in the book with which to disagree. In particular, the method of gathering data and the inference that the Purchasing Manager alone represents Management in making the decision to make or buy.



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The Society for the Advancement of Management

WHAT IT IS

The Society for the Advancement of Management is a merger of the Taylor Society, Inc., founded in 1912, and The Society of Industrial Engineers, Inc., founded in 1917. It was formed in February, 1936, to unite the activities of both organizations. Both societies from the beginning had approximately the same aims and purposes although their emphasis and forms of organization differed. In order to avoid duplication of effort and to strengthen and extend activities, both societies voted to combine the memberships and resources into a new society under the present name.

The Society functions both through its national office and through local chapters and student branches in cities and universities in the United States and abroad.

The central office, through the national Board of Directors, is responsible for the determination and execution of major policies. It publishes a quarterly, **ADVANCED MANAGEMENT**, a News Letter, and supplementary publications from time to time; con-

ducts annual and spring conferences; and its facilities are available for information service, employment service, library, and assistance to local chapters.

The local chapters and student branches enjoy substantial autonomy in their organization and conduct. They serve members through their frequent educational meetings, intensive training courses, and through the professional contacts they afford for acquaintance with other members. Membership in the national organization carries with it the privilege of affiliation with a local group.

The Society includes in its membership persons holding positions in practically every phase of management. Among the members will be found Directors, Presidents, Sales Managers, Comptrollers, Factory Managers, Purchasing Agents, Economists, Statisticians, Engineers, Production Managers, Industrial Engineers, Personnel Managers, Methods Men, Social Workers, those engaged in directing various governmental establishments, Research Workers, Professors, Students, Department Heads.

HOW IT WORKS

The major activities of the Society are carried on under the four divisions outlined below:

Meetings: The annual conference of the national society provides a forum for distinguished contributions related to recent management thought and advances in management experience.

Regional conferences are held to supplement and reinforce the annual conference.

The meetings of local chapters and of student branches supply a more intimate interchange of local experience in new management developments.

Publications: The Society publishes **ADVANCED MANAGEMENT** which constitutes by common consent one of the most important reference sources of new management material available in this country in periodical form.

News Letters and supplementary publications keep members informed of society activities and current developments.

Committee Work: The Society aims to promote study in fields related to specialized management functions. The membership of committees is selected from the entire membership with a view to focusing outstanding creative contributions which are subsequently publicized. In the local field the chapters undertake researches and reports into problems of special interest.

Information and Employment Service: The files and library of the Society at the national headquarters contain much historical and useful information which is available to members. The Society keeps in contact with other scientific organizations and with other management groups in all parts of the world through an exchange of publications.

The Society keeps on file a record of positions and personnel available and aims to establish contacts of mutual benefit to employers and employees.

The Society aids students of management by arranging for plant inspection trips and helping with the securing of prominent speakers.

PURPOSES

The purposes of this Society are, through research, discussion, publication and other appropriate means:

1. To forward the elimination of waste and the development of efficiency through the study and application of scientific principles and methods of management.

2. To bring about a better understanding of the mutual interests of government, management, investors, labor and the public in improved management.

3. To provide means whereby executives, engineers, teachers, public officials and others concerned, who apply scientific methods to management problems, may promote this common interest.

4. To inspire in labor, manager and employer a constant adherence to the highest ethical conception of individual and collective social responsibility.

